Deutsche Telekom Global Business Solutions UK Ltd.

Annual report and financial statements

Registered number 01371338

31 December 2021

Contents

Company information

Directors	Felipe Arrudi Lopez Andrew Fraser Weedon Kenneth Salter
Company secretary	J J L D'Silva
Registered number	01371338
Registered office	Building K2 Timbold Drive Kents Hill Milton Keynes Buckinghamshire MK7 6BZ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory auditors Donington Court Pegasus Business Park Herald Way East Midlands DE74 2UZ

Strategic report

Principal activities

The Company provides information and telecommunication services to its customers.

Review of the business

The loss for the financial year amounted to £97,890 (2020: £1,482,173). The directors do not recommend the payment of any dividends (2020: £nil).

The Company's key financial and other performance indicators during the year were as follows:

	2021 £000	2020 £000
Turnover	22,130	14,162
Gross profit	4,993	2,439
Loss before taxation	(98)	(1,482)
Net assets	619	717
Capital investment	762	353

Covid19

In early 2020 there was a global outbreak of COVID-19 (Coronavirus) which has and continues to have a significant and ever-changing impact on the Company, the sector and the UK economy as a whole.

Management has not identified any material re-measurements of assets and liabilities. The effect of the Coronavirus pandemic on the economy has seen a decline in commercial activity, but we expect it to normalise over time. During the year, the Company received a capital contribution of £nil (2020: £1.7 million) from its parent company.

Prospects for 2022 and beyond

The company has signed a number of new contracts, including renewals with existing customers during 2022. The company has also invested in expanding its sales capability to sustain future growth plans. The focus and nature of the company is not expected to change in the near future.

Principal risks and uncertainties

The Company's operations expose it to a variety of risks, principally delivery risk and market and economic risk. Specific business risks are properly monitored and reported as they arise. Where a risk exposure is identified, suitable counteractions are implemented to mitigate the risk. The risk management system is a vital part of the overall Company governance system.

Delivery Risks

The Company operates a series of long-term contracts which expose it to changes in technology and shifts in customer business circumstances over the lifetime of the contracts. Technology risks are managed through working closely with the Deutsche Telekom Group as a whole to make the UK operations an integral part of the global delivery function of the group, thereby being able to provide services to UK customers from the most appropriate point of production. Changes in customer business circumstances are managed through working closely with customers to understand their requirements and amend contracts to suit their needs as they develop.

Market & Economic Risk

Various scenarios are modelled to establish the financial outcome on a worst case basis of deterioration in the market in which we operate. Specifically, the main factors which impact the company, such as, trends in the market, foreign exchange and interest rates. At this time there is no business impact from the Russia-Ukraine conflict.

Strategic report *(continued)*

Financial risk management

The Company manages its own cash deposits with financial institutions after consideration of advice from Deutsche Telekom Aktiengesellschaft Group Treasury on the credit rating and overall financial profile of those financial institutions.

Future developments and Post balance sheet events

No events have occurred after the balance sheet date which could significantly affect the Company's financial position.

Going concern

The Company commenced trading from 1 July 2020. The company has a positive cash balance as at 31 December 2021. Whilst the Company has net current liabilities as at 31 December 2021 this is due to the c.£6.7 million due to group undertakings.

The directors have performed monthly cash flow projections to the end of 2023 and confirm cash flows remain positive, and they believe that the company will have sufficient cash reserves to meet its business objectives for the foreseeable future. Due to the amounts owed to group undertakings, and the relative short trading history of the company as a stand-alone business, the Directors' have sought, and received, a letter of support from the parent undertaking regarding their intention and ability to continue to provide funds to the company, as and when required. Having considered the predicted cash flow projections, plausible but severe downside scenarios to these and the ability and intent of the parent company to provide the support which whilst offered, is not legally binding, the Directors' believe that adopting the going concern basis in preparing the annual report and financial statements remains appropriate.

Statement by the directors in the performance of their statutory duties in accordance with s172(1) Companies Act 2006

In making decisions throughout the year ended 31 December 2021, the board of directors of Deutsche Telekom Global Business Solutions UK Ltd have acted in a manner they consider would most likely promote the success of the company for the benefit of its members as a whole having regard to the stakeholders and matters as set out in s172 (1) (a-f) of the Act. The company has a clear culture and set of values as set out in the employees' section of the directors' report on page 5.

Factoring our stakeholders into our decision making

When carrying out impact assessments and making key decisions for the organisation it is important that we understand the needs and concerns of all stakeholders. This is done through stakeholder impact analysis being completed for all significant decisions that identifies the potential benefits and areas of concern for each stakeholder group and enables plans to be put in place to mitigate any risks identified and ensure that these are actioned. These stakeholder impact assessments assist directors when performing their duties under s 172 of the Companies Act 2006 and provides the Board with assurance that the potential impacts on our stakeholders are being carefully considered by management when developing plans for Board approval. The key stakeholders identified by the Company are:

Customers: The Board and the Company have always treated customers fairly and have been proactive in issue resolution, strategy development and communication thereon.

Suppliers: The company has treated Suppliers in a fair and equitable manner based on market conditions.

Strategic report *(continued)*

Factoring our stakeholders into our decision making (*continued*)

Employees: Employee representatives sit on an Employee Consultative Forum. Strategic business decisions are discussed with the representatives and a collaborative decision is made.

Shareholders: The shareholders do not have representation on the board of directors but there is frequent and regular interaction with the shareholders. All strategic decisions are taken in a collaborative manner with the representative shareholders.

Community and the environment: The company and its shareholders take the impact on the environment seriously. Measures are in place to recycle waste effectively. Going forward we are working with our landlords to identify whether we consume Green energy and if not to make a relevant contribution.

On behalf of the board

K Salter
Director
29 September 2022

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Directors

The Directors who served during the year and up to the date of this report were:

Felipe Arrudi Lopez
Andrew Fraser Weedon (appointed 1 January 2021)
Kenneth Salter

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity through a Deutsche Telekom Aktiengesellschaft Group policy which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Deutsche Telekom Aktiengesellschaft Group also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Employee Involvement

During the year, the policy of providing employees with information about the company has been continued through staff forums, biweekly update calls development programmes and other company events. Deutsche Telekom Global Business Solutions UK Ltd has an elected Employee Forum to comply with the UK ICE (Information and Consultation of Employees) regulations. This group meets monthly and is affiliated to the Group's European Works Council. The general company situation including the financial performance is communicated to this group twice yearly and specific local company changes are consulted on as they arise.

More general communication to the employees is delivered via a two weekly "Campfire" call delivered by the Managing Director and Leadership Team. Most employees are entitled to participate in the annual bonus scheme which pays out against a mix of group and local company performance indicators such. as revenue, operating profit and personal targets.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors' are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors' are aware of that information.

Directors' Report *(continued)*

Matters covered elsewhere and included in the Directors' report by cross reference

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 2 and 3. The directors' responsibilities are included on page 7.

Independent Auditors'

Pursuant to Section 487 of the Companies Act 2006, for 2022 onwards, Deloitte LLP have been appointed as group auditors.

On behalf of the board

K Salter
Director
29 September 2022

Statement of directors' responsibilities in respect of the annual report and 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 "*Reduced Disclosure Framework*".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Deutsche Telekom Global Business Solutions UK Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Deutsche Telekom Global Business Solutions 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 loss 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; Profit and Loss Account, and 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 Deutsche Telekom Global Business Solutions UK Ltd *(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 annual report and 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 Deutsche Telekom Global Business Solutions UK Ltd *(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 UK employment legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. 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 posting inappropriate journal entries to manipulate financial results, management bias in accounting estimates / significant judgements or inappropriate reporting / disclosure of significant or unusual events / transactions. Audit procedures performed by the engagement team included:

- Discussions with management in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewed board meeting minutes and expenses with legal / professional advisors to ascertain the completeness of the above;
- Identifying and testing journal entries through a risk based approach, in particular any journal entries posted with unusual account combinations that increased reported revenues;
- Testing significant estimates / judgements within the financial statements, through validating the underlying data and accuracy of the models utilised by management. Audit testing was performed through considering the prior accuracy of similar management estimates and reviewing post year end transactions / events in line with management's forecasts. For judgements these were considered in the context of adherence with the applicable accounting standard and consistency with prior judgements (including their appropriateness);
- Reviewing the financial statements for disclosures required by accounting standards and the Company Act;
- Testing significant / unusual transactions (where material) for appropriate treatment within these financial statements ; and
- Performing unpredictable audit procedures which vary from year to year.

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.

Independent auditors' report to the members of Deutsche Telekom Global Business Solutions UK Ltd *(continued)*

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.

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.

Andrew Dymond.

Andrew Dymond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
29 September 2022

Profit and Loss Account
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	3	**22,130**	14,162
Cost of sales		**(17,137)**	(11,723)
Gross profit		**4,993**	2,439
Distribution costs		**(1,902)**	(705)
Administrative expenses		**(10,580)**	(5,702)
Other operating income	4	**7,603**	2,505
Operating Income/(loss)	5,6	**114**	(1,463)
Interest payable and similar expenses	7	**(212)**	(19)
Loss before taxation		**(98)**	(1,482)
Tax on loss before taxation	8	**-**	-
Loss and total comprehensive loss for the financial year		**(98)**	(1,482)

All activities are continuing.

As there was no other comprehensive income or expense in the current year or prior year a statement of other comprehensive income has not been presented in line with the requirements of FRS 101.

The notes on pages 15 to 28 form part of these financial statements.

Balance Sheet
at 31 December 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Intangible assets	*9*		254		290
Tangible assets	*10*		1,499		2,773
			1,753		3,063
Current assets					
Debtors	*11*	11,372		9,206	
Cash at bank and in hand		2,287		4,551	
		13,659		13,757	
Creditors: amounts falling due within one year	*12*	(14,793)		(15,967)	
Net current liabilities			(1,134)		(2,210)
Total assets less current liabilities			619		853
Creditors: amounts falling due after more than one year					
Lease liability	*16*	-		(136)	
			-		(136)
Net assets			619		717
Capital and reserves					
Called up share capital	*15*		500		500
Capital contribution	*15*		1,700		1,700
Profit and loss account	*15*		(1,581)		(1,483)
Total equity			619		717

The notes on pages 15 to 28 form part of these financial statements.

The financial statements on pages 12 to 28 were approved by the board of directors on 29 September 2022 and were signed on its behalf by:

K Salter
Director

Company registered number: 01371338

Statement of Changes in Equity

	Called up share capital £000	Capital contribution £000	Profit & loss account £000	Total equity £000
Balance at 1 January 2020	500	-	(1)	499
Loss for the year	-	-	(1,482)	(1,482)
Capital contribution during the year	-	1,700	-	1,700
Balance at 31 December 2020	**500**	**1,700**	**(1,483)**	**717**
Balance at 1 January 2021	500	1,700	(1,483)	717
Loss for the year	-	-	(98)	(98)
Balance at 31 December 2021	**500**	**1,700**	**(1,581)**	**619**

The notes on pages 15 to 28 form part of these financial statements.

Notes
(forming part of the financial statements)

General information

Deutsche Telekom Global Business Solutions UK Ltd (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 01371338 and the registered address is Building K2 Timbold Drive, Kents Hill, Milton Keynes, England, MK7 6BZ. The company is Limited by shares.

On 1 July 2020, the telecommunications portfolio unit of T-Systems Limited (a fellow group company) was separated and transferred to the Company.

1. Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with The Companies Act 2006 as applicable to companies using FRS 101 ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Deutsche Telekom Aktiengesellschaft includes the Company in its consolidated financial statements. The consolidated financial statements of Deutsche Telekom Aktiengesellschaft are available to the public and may be obtained from the Friedrich-Ebert-Allee 140, 53113 Bonn, Germany. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 101 in respect of the following disclosures:

- 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 paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1
  - Paragraph 73(e) of IAS 16 Property, Plant and Equipment
  - Paragraph 118(e) of IAS 38 Intangible Assets
- the requirements of paragraphs 10(d), 10(f), 16, 38A,38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- 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 of IAS 24 Related Party Disclosures
- the requirements of 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.
- The requirements of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Notes *(continued)*

1. Accounting policies ***(continued)***

1.1. Standards issued and adopted

The Company has adopted the following IFRSs in these financial statements:

- Amendments to IFRS 9: Interest Rate Benchmark Reform.
- Amendments to IFRS 16: Leases Covid-19 Related Rent Concessions,

None of the standards adopted during the year had a material impact on the financial position or results of the Company.

1.2. Measurement convention

The financial statements are prepared on the historical cost basis.

1.3. Going concern

The Company commenced trading from 1 July 2020. The company has a positive cash balance as at 31 December 2021. Whilst the Company has net current liabilities as at 31 December 2021 this is due to the c.£6.7 million due to group undertakings.

The directors have performed monthly cash flow projections to the end of 2023 and confirm cash flows remain positive, and they believe that the company will have sufficient cash reserves to meet its business objectives for the foreseeable future. Due to the amounts owed to group undertakings, and the relative short trading history of the company as a stand-alone business, the Directors' have sought, and received, a letter of support from the parent undertaking regarding their intention and ability to continue to provide funds to the company, as and when required. Having considered the predicted cash flow projections, plausible but severe downside scenarios to these and the ability and intent of the parent company to provide the support which whilst offered, is not legally binding, the Directors' believe that adopting the going concern basis in preparing the annual report and financial statements remains appropriate.

1.4. Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.5. Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Notes *(continued)*

1. Accounting policies *(continued)*

1.5. Financial instruments (continued)

(ii) Classification and subsequent measurement

Financial assets
(a) Classification
On initial recognition, a financial asset is classified as measured at: amortised cost or fair value.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Subsequent measurement and gains and losses
Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

(iii) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Notes *(continued)*

1. Accounting policies *(continued)*

1.5. Financial instruments (continued)

***(iii) Impairment** (continued)*

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

1.6. Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

1.7. Intangible assets

Software assets
Software assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes *(continued)*

1. Accounting policies *(continued)*

1.7. Intangible assets (continued)

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful life of software is 3 years.

1.8. Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

• buildings 33 years
• plant and equipment 3-10 years
• fixtures and fittings 3-23 years
• leasehold improvements 10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.9. Impairment of non-financial assets excluding deferred tax assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes *(continued)*

1. Accounting policies *(continued)*

1.11. Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.12. Turnover

The Company provides telecommunication services for corporate customers.

On inception of the contract, the company identifies a "performance obligation" for each of the distinct service or deliverable for which the customer has contracted. Revenue is recognised when performance obligations have been satisfied and, for the company, the performance obligations are considered to be satisfied over the time period that the services are rendered. When a performance obligation is satisfied, the company recognises as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the company expects to be entitled in exchange for transferring promised goods or services to a customer, net of value added taxes.

Some contracts include multiple deliverables, such as telecommunication services and related installation services. Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices. If contracts include the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

1.13. Expenses

Interest payable

Interest payable and similar expenses include interest payable and finance expense on lease liabilities recognised in profit or loss using the effective interest method and unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest payable is recognised in profit or loss as it accrues, using the effective interest method.

1.14. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes *(continued)*

1. Accounting policies *(continued)*

1.15. Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or 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.

As a lessee
At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.16. Business combinations

The transfer of the business from T-Systems Limited in 2020 was treated as a group reconstruction and as such the balances were transferred at their net book values as recorded in the books and records of T-Systems with no fair value assessments being made. The price paid for the assets and liabilities was equal to the net book values and hence no other intangibles or goodwill were recorded on this transaction.

Notes *(continued)*

2. Significant accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make significant judgements and make estimates which may have a significant risk of material adjustment in the following period. The items in the financial statements where these significant estimates have been made include:

Impairment of intangible and tangible assets

Management periodically reviews the carrying value of fixed assets and consider the need for impairment. Management takes into consideration key factors such as the performance of and circumstances around individual customer contracts, changes in residual value of assets and technological advancements.

There are no significant judgements within the financial statements.

3. Turnover

In the following tables, revenue is disaggregated by primary geographical market and major products/service lines:

	2021	2020
	£000	£000
Technology offerings	**17,802**	11,434
Carrier services	**3,465**	1,975
Security	**863**	753
	22,130	14,162

Total turnover includes £1,220,123 (2020: £1,692,788) attributable to performance obligations fulfilled, not yet billed.

4. Other operating income

This comprises of the recharge of costs of employees of the company engaged by other entities within the Deutsche Telekom group.

5. Expenses and auditors' remuneration

The operating profit/(loss) is stated after charging/(crediting):

	2021	2020
	£000	£000
Exchange (gains)/losses - net	**(34)**	71
Depreciation and amortisation of intangible and fixed assets	**1,003**	901
Depreciation of right-of-use assets	**500**	629

Depreciation of plant and equipment is recorded within cost of sales. All other depreciation and amortisation is recorded within administrative expenses.

Notes *(continued)*

5. Expenses and auditors' remuneration *(continued)*

Auditors' remuneration:

	2021 £000	2020 £000
Audit of these financial statements	68	60

There were no non-audit services provided during the current or prior year.

6. Staff numbers and costs

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

	Number of employees 2021	2020
Sales and distribution	57	57
Management and administration	18	16
	75	73

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	7,916	3,407
Social security costs	945	404
Other pension costs (note 14)	627	459
	9,488	4,270

One director was remunerated by the company for services to the company and other members of the Deutsche Telekom group. The element relates to their services to the company was £60,000 (2020: £30,000).One other director was remunerated by another company within the wider Deutsche Telekom group and no direct recharge of costs was made for their services provided as a director of the Company.

7. Interest payable and similar expenses

	2021 £000	2020 £000
Bank interest	11	4
Interest expense on leases	8	15
Interest expense on inter-group balances	193	-
	212	19

Notes *(continued)*

8. Tax on loss

Reconciliation of effective tax rate

The tax credit for the year is lower *(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
Loss for the year	98	1,482
Total tax charge	-	-
Loss before taxation	98	1,482
Tax using the UK corporation tax rate of 19% *(2020: 19%)*	19	282
Effects of:		
Expenses not deductible for tax purposes	(34)	(2)
Deferred tax not recognised (note 13)	15	(280)
Total tax charge included in profit or loss	-	-

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge but has no impact on the reported numbers due to the deferred tax asset not being recognised.

9. Intangible assets

	Software £000
Cost	
Balance at 1 January 2021	801
Additions	254
Balance at 31 December 2021	1,055
Accumulated amortisation	
Balance at 1 January 2021	(511)
Amortisation charge for the year	(290)
Balance at 31 December 2021	(801)
Net book value	
Balance at 31 December 2020	290
Balance at 31 December 2021	**254**

Notes *(continued)*

10. Tangible assets

	Buildings (note 16)	Plant and Equipment	Furniture and fixtures	Leasehold improvements	Asset under construction	Total
	£000	£000	£000	£000	£000	£000
Cost						
Balance at 1 January 2021	1,867	1,768	9	8	140	3,792
Additions	-	412	1	-	95	508
Disposals	(949)	(65)	-	-	-	(1,014)
Transfers	-	57	-	-	(57)	-
Balance at 31 December 2021	918	2,172	10	8	178	3,286
Accumulated depreciation						
Balance at 1 January 2021	629	387	2	1	-	1,019
Depreciation charge for the year	500	708	3	2	-	1,213
Relating to disposals	(380)	(65)	-	-	-	(445)
Balance at 31 December 2021	749	1,030	5	3	-	1,787
Net book value						
Balance at 31 December 2020	**1,238**	**1,381**	7	7	**140**	**2,773**
Balance at 31 December 2021	**169**	**1,142**	5	5	**178**	**1,499**

Notes *(continued)*

11. Debtors

	2021 £000	2020 £000
Trade debtors	2,108	1,286
Amounts owed by group undertakings	6,781	5,395
Prepayments and accrued income	2,386	1,888
Other taxation and social security	97	637
	11,372	9,206

Included within amounts owed by group undertakings, is the balance on the cash pooling account with Deutsche Telekom Aktiengesellschaft, the company's ultimate parent company. This can be drawn as and when required and interest is accrued on a daily basis.

The remaining amounts owed by group undertakings relates to day to day trading activities and as such is an unsecured rolling balance with standard group invoicing repayment terms.

12. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Accruals and deferred income	6,534	7,057
Trade creditors	1,143	522
Amounts owed to group undertakings	6,650	7,192
Lease liability (note 16)	136	1,096
Other taxation and social security	240	12
Other creditors	90	88
	14,793	15,967

The amounts owed to group undertakings relates to day to day trading activities and as such is an unsecured rolling balance with standard group invoicing repayment terms.

13. Deferred tax

No deferred tax is recognised in respect of the following:

	2021 £000	2020 £000
Fixed asset temporary differences	1,499	1,269
Short term temporary differences	12	16
Losses and other deductions	1,680	241
Deferred tax not recognised	3,191	1,526

Notes *(continued)*

14. Employee benefits

Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to defined contribution schemes is £627,000 *(2020: £459,000)*.

15. Capital and reserves

Called up share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
500,000 *(2020: 500,000)* Ordinary shares of £1 each	**500**	500

Reserves

Capital contribution

This reserve records the additional amount subsequently contributed by the owners into the business for no additional consideration (i.e. without the issue of shares).

Profit and loss account

This reserve is for recording retained earnings and accumulated losses and certain items of other comprehensive income.

16. Creditors: amounts falling due after more than one year

Leases : *Right-of-use assets*

The right-of-use assets related to lease properties that do not meet the definition of investment properties and are presented as tangible assets (see note 10):

	Buildings £000
Cost and net book value	
Balance at 1 January 2021	1,238
Depreciation charge for the year	(500)
Disposals	(569)
Balance at 31 December 2021	**169**

Lease liabilities

	2021 £000
Current	136
Non-current	-
	136

Notes *(continued)*

16. Creditors: Amounts due after more than one year *(continued)*

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	2021 £000	2020 £000
Interest expense on lease liabilities	8	15
Depreciation expense	500	629

	2021 £000	2020 £000
Cash outflow for leases	524	650

The interest rates applied ranges from 1.73% to 1.83% dependent on the underlying asset.

17. Related party transactions and ultimate parent company

Other than the directors' emoluments, disclosed in note 6, there are no disclosable related party transactions in the current or prior year as disclosure of those which eliminate fully on consolidation are exempt from disclosure. The key management relates only to the statutory directors.

Deutsche Telekom Business Solutions GmbH is the immediate parent undertaking and Deutsche Telekom Aktiengesellschaft is the ultimate parent undertaking. Both the immediate and ultimate parent undertaking are registered in Germany. The largest and smallest group in which these accounts are consolidated is that headed by Deutsche Telekom Aktiengesellschaft, copies of which may be obtained from Friedrich-Ebert-Allee 140, 53113 Bonn, Germany.