

**Deutsche Telekom Global Business Solutions UK
Ltd.**

Annual report and financial statements

Registered number 01371338

31 December 2022

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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 auditor	Deloitte LLP 3 Victoria Square, Victoria Street St Albans AL1 3TF United Kingdom

Strategic report

Principal activities

Deutsche Telekom Global Business Solutions UK Ltd. ("the Company") provides information and telecommunication services to its customers.

Review of the business

The loss for the financial year amounted to £579,000 (2021: £98,000). The directors do not recommend the payment of any dividends (2021: £nil).

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

	2022	2021
	£000	£000
Sales	21,267	22,130
Gross profit	2,951	4,993
Loss on ordinary activities	(579)	(98)
Net assets	42	619
Capital investment	1,437	762

Future Developments

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.

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.

Post balance sheet events

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

Strategic Report *(continued)*

Going concern

The Company commenced trading with effect from 1 July 2020. The Company has a positive cash balance of c. £0.9 million at 31 December 2022. Whilst the Company has net current liabilities at 31 December 2022 this is due to the c. £6.0 million due to group undertakings.

The directors have performed monthly cash flow projections to the end of 2024 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 remain 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 2022, 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 4.

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 the directors when performing their duties under s172 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.

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

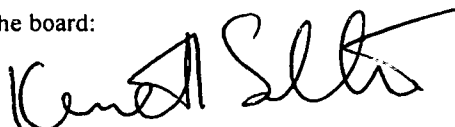
Shareholders: The shareholders do not have representation on the board of directors but there is frequent and regular interaction with the shareholders. All strategic decisions are taken in a collaborative manner with the representative shareholders.

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



1 November 2023

Directors' report

The directors present their annual report and the financial statements for the year ended 31 December 2022.

Directors

The directors who held office during the year and up to the date of this report were:

Felipe Arrudi Lopez

Andrew Fraser Weedon

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.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

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 auditor is 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 auditor is aware of that information.

Directors' report *(continued)*

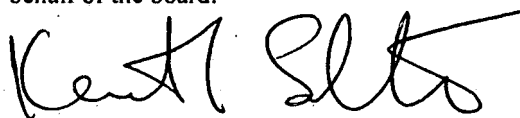
Matters covered elsewhere and included in the Directors' report by cross reference

An indication of likely future developments in the business, dividends, financial risk management 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 6.

Independent Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

On behalf of the board:

A handwritten signature in black ink, appearing to read 'K Salter', written over a horizontal line.

K Salter

Director

1 November 2023

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent auditor's report to the members of Deutsche Telekom Global Business Solutions UK Ltd.

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Deutsche Telekom Global Business Solutions UK Ltd.

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet,
- the statement of changes in equity;
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not

cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 during the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

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

As a result of performing the above, we identified the greatest potential for fraud was related to the revenue accrual process which requires a degree of estimation due to the timing of services performed. In response to this risk we performed procedures to check the appropriateness of underlying revenue transactions which reflected management's estimates of revenue earned. We performed substantive testing through inspecting the supporting evidence on the timing of transactions and audited the source data which formed the basis of management estimate.

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken during the audit:

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

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

Matters on which we are required to report by exception

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

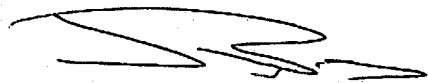
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



James Brass (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St Albans, United Kingdom
02 Nov 2023

Profit and Loss Account
for the year ended 31 December 2022

	<i>Note</i>	2022 £000	2021 £000
Turnover	4	21,267	22,130
Cost of sales		(18,316)	(17,137)
Gross profit		2,951	4,993
Distribution costs	2.17	(9,353)	(10,580)
Administrative expenses	2.17	(1,473)	(1,902)
Other operating income	5	7,512	7,603
Operating (loss)/profit	6, 7	(363)	114
Interest payable and similar expenses	8	(216)	(212)
Loss before taxation		(579)	(98)
Tax on loss	9	-	-
Loss for the financial year		(579)	(98)

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 13 to 27 form part of these financial statements.

Balance Sheet

at 31 December 2022

	Note	£000	2022 £000	£000	2021 £000
Fixed assets					
Intangible assets	10		189		254
Tangible assets	11		2,001		1,499
			<u>2,190</u>		<u>1,753</u>
Current assets					
Debtors	12	11,855		11,372	
Cash at bank		921		2,287	
		<u>12,776</u>		<u>13,659</u>	
Creditors: amounts falling due within one year	13	<u>(14,924)</u>		<u>(14,793)</u>	
Net current liabilities			<u>(2,148)</u>		<u>(1,134)</u>
Total assets less current liabilities			<u>42</u>		<u>619</u>
Net assets			<u>42</u>		<u>619</u>
Capital and reserves					
Called up share capital	16		500		500
Capital contribution	16		1,702		1,700
Profit and loss account	16		(2,160)		(1,581)
Shareholders' funds			<u>42</u>		<u>619</u>

The notes on pages 13 to 27 form part of these financial statements.

These financial statements on pages 10 to 27 were approved by the board of directors on 31st October 2023 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 2021	500	1,700	(1,483)	717
Loss for the year	-	-	(98)	(98)
Balance at 31 December 2021	500	1,700	(1,581)	619
Balance at 1 January 2022	500	1,700	(1,581)	619
Loss for the year	-	-	(579)	(578)
Equity-settled share-based payment transactions	-	2	-	2
Balance at 31 December 2022	500	1,702	(2,160)	42

The notes on pages 13 to 27 form part of these financial statements.

Notes

(forming part of the financial statements)

1 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.

2 Accounting policies

2.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement, and disclosure requirements of UK-adopted international accounting standards ("UK-adopted IFRS") 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 Revenue from Contracts with Customers.
- the requirements of paragraph 52 of IFRS 16 Leases.

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 3.

Notes (continued)

2 Accounting policies (continued)

2.2 Changes in accounting policy

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

- Amendments to IAS 37: Onerous Contracts—Cost of Fulfilling a Contract (effective 1 January 2022). This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Company included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs.

The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Company has analysed all contracts existing at 1 January 2022 and determined that none of them would be identified as onerous applying the revised accounting policy i.e., there is no impact on the opening equity balances as at 1 January 2022 as a result of the change.

- Amendments to References to the Conceptual Framework in IFRS 3 (effective 1 January 2022). The amendment refers to the Conceptual Framework issued in 2018 under which the definition of liabilities is broader than that in the previous versions. There is no material effect of this amendment as the Company has not made any new acquisitions during the year.
- Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use (effective date 1 January 2022). The amendments prohibit a company from deducting from the cost of an item of PPE any proceeds from selling items produced while making that item of PPE available for its intended use. There is no material effect of this amendment on the items of PPE recorded during the year.
- Annual Improvements to IFRS Standards 2018-2020 (effective 1 January 2022):
 - IFRS 1 – Subsidiary as a first- time adopter. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs. There is no material effect of this amendment.
 - IFRS 9 – Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf. There is no material effect of this amendment.
 - IFRS 16 – Leases – Lease incentives. The amendment to the Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. There is no material effect of this amendment.

2.3 Measurement convention

The financial statements are prepared on the historical cost basis.

2.4 Going concern

The Company commenced trading from 1 July 2020. The Company has a positive cash balance as at 31 Dec 2022. Whilst the Company has net current liabilities as at 31 December 2022 this is due to the c.£6 million due to group undertakings.

The directors have performed monthly cash flow projections to the end of 2024 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.

Notes (continued)

2 Accounting policies (continued)

2.5 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies 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 translated 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.

2.6 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.

(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 - These assets 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.

Notes (continued)

2 Accounting policies (continued)

2.5 Financial instruments (continued)

(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.

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.

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.

(iv) Derecognition

Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Notes (continued)

2 Accounting policies (continued)

2.7 Tangible fixed 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. Land is not depreciated. The estimated useful lives are as follows:

- Buildings: 33 years;
- Plant and equipment: 3-10 years;
- Fixtures and fittings: 3-23 years; and
- Leasehold improvements: 10 years

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

2.8 Intangible assets

Software assets

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

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 and goodwill 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 assets is 3 years.

2.9 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.

2.10 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.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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.

Notes (continued)

2 Accounting policies (continued)

2.11 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.

2.12 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.

2.13 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.

2.14 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.

Notes (continued)

2 Accounting policies (continued)

2.15 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.

2.16 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.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Notes (continued)

2 Accounting policies (continued)

2.16 Leases (continued)

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.

2.17 Prior year restatement

The 2021 profit and loss statement has been restated to reflect the appropriate split between selling and distribution expenses, and other admin expenses, which were disclosed incorrectly in the 2021 profit and loss account. The restatement has no impact on operating profit as shown below:

	2021	2021 Restated
	£000	£000
Gross profit	4,993	4,993
Distribution costs	(1,902)	(10,580)
Administrative expenses	(10,580)	(1,902)
Other operating income	7,603	7,603
Operating profit	114	114

3 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.

Key sources of estimation uncertainty

There were no significant accounting policies that were considered by the directors to contain key sources of estimation uncertainty.

Critical accounting judgements

In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies, other than those involving estimates, that have had a significant effect on the amounts recognised in the financial statements.

Notes (continued)

4 Turnover from contracts with customers

In the following table, revenue is disaggregated by major products/service lines:

	2022 £000	2021 £000
Technology offerings	16,461	17,802
Carrier services	3,061	3,465
Security	1,745	863
	<u>21,267</u>	<u>22,130</u>

Total turnover includes £891,000 (2021: £1,220,000) attributable to performance obligations fulfilled, not yet billed.

5 Other operating income

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

6 Expenses and auditor's remuneration

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

	2022 £000	2021 £000
Exchange gains- net	(42)	(34)
Depreciation and amortisation of intangible and fixed assets	882	1,003
Depreciation of right-of-use assets	<u>149</u>	<u>500</u>

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

Auditor's remuneration:

	2022 £000	2021 £000
Audit of these financial statements	<u>90</u>	<u>68</u>

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

Notes (continued)

7 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	
	2022	2021
Sales and distribution	59	57
Management and administration	18	18
	<u>77</u>	<u>75</u>

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	6,552	7,916
Social security costs	733	945
Pension costs (see note 15)	651	627
Share based payments	2	-
	<u>7,938</u>	<u>9,488</u>

One director was remunerated by the company for services to the company and other members of the Deutsche Telekom group. The element relating to their services to the company was £61,000 (2021: £60,000). One other director was remunerated by another company within the wider Deutsche Telekom group. Total directors remuneration for the company was £336,000 (2021: £329,000).

8 Interest payable and similar charges

	2022	2021
	£000	£000
Bank interest	11	11
Interest expense on leases	11	8
Interest expense on inter-group balances	194	193
	<u>216</u>	<u>212</u>

Notes (continued)

9 Taxation

Reconciliation of effective tax rate

The tax credit for the year is lower (2021: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2022 £000	2021 £000
Loss for the year	579	98
Total tax charge	-	-
Loss excluding taxation	579	98
Tax using the UK corporation tax rate of 19% (2021: 19%)	110	19
Effects of:		
Fixed asset differences	11	-
Expenses not deductible for tax purposes	(4)	(34)
Deferred tax not recognised	(117)	15
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.

10 Intangible assets

	Software £000
Cost	
Balance at 1 January 2022	3,402
Additions	34
Disposal	(27)
Balance at 31 December 2022	3,409
Accumulated amortisation	
Balance at 1 January 2022	3,148
Amortisation charge for the year	99
Disposal	(27)
	3,220
Net book value	
Balance at 1 January 2022	254
Balance at 31 December 2022	189

Notes (continued)

11 Tangible fixed assets

	Right of use assets - Buildings (note 17) £000	Plant and Equipment £000	Furniture and fixtures £000	Leasehold improve- ments £000	Asset under construction £000	Total £000
Cost						
Balance at 1 January 2022 (<i>restated</i>)	1,298	12,133	152	23	178	13,784
Additions	128	1,141	8	-	160	1,437
Disposals	(6)	(7,564)	(127)	(8)	-	(7,705)
Balance at 31 December 2022	1,420	5,710	33	14	338	7,516
Accumulated depreciation						
Balance at 1 January 2022 (<i>restated</i>)	(1,129)	(10,990)	(148)	(18)	-	(12,285)
Depreciation charge for the year	(149)	(776)	(5)	(2)	-	(932)
Relating to disposals	6	7,561	127	8	-	7,702
Balance at 31 December 2022	(1,272)	(4,205)	(26)	(12)	-	(5,515)
Net book value						
At 1 January 2022	169	1,143	4	5	178	1,499
At 31 December 2022	148	1,504	7	3	338	2,001

Gross cost and accumulated depreciation have been restated to reflect historical cost and accumulated depreciation of tangible fixed assets transferred to the Company from a fellow group company on 1 July 2020. There has been no change to the net book value of tangible fixed assets as at 31 December 2020 or 31 December 2021 as a result of this restatement.

12 Debtors

	2022 £000	2021 £000
Trade debtors	4,320	2,108
Amounts owed by group undertakings	4,664	6,781
Prepayments and accrued income	2,692	2,386
VAT receivable	179	97
	<u>11,855</u>	<u>11,372</u>

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.

Amounts billed for transition and transformation work are based on the contractual milestones as specified in the customer contracts. Revenue is recognised as a percentage of completion of the work carried out, whilst billing is generated based on achieving those milestones.

Notes (continued)

13 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Accruals and deferred income	7,506	6,534
Trade creditors	745	1,143
Amounts owed to group undertakings	6,049	6,650
Lease liability (see note 17)	292	136
Taxation and social security	215	240
Other creditors	116	90
VAT payable	-	-
	<u>14,924</u>	<u>14,793</u>

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.

Of the £471k that was recognised in deferred income as at 31 December 2021, all performance obligations have been satisfied and therefore the full amount has been recognised in revenue in the current year.

14 Deferred tax

No deferred tax is recognised in respect of the following:

	2022 £000	2021 £000
Fixed asset temporary differences	1,069	1,343
Short term temporary differences	14	13
Losses and other deductions	2,320	1,893
Deferred tax asset not recognised	<u>3,403</u>	<u>3,249</u>

The temporary differences and unused tax losses can be carried forward indefinitely. However, should there be a significant change to the Company's trade or a change of ownership in the future, this may impact the losses available but in the absence of such an event, the losses would not expire.

15 Employee benefits

Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to defined contribution schemes is £651,000 (2021: £627,000).

16 Capital and reserves

Share capital

	2022 £000	2021 £000
Allotted, authorised, called up and fully paid 500,000 (2021: 500,000) Ordinary shares of £1 each	<u>500</u>	<u>500</u>

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 accumulated profits and losses and certain items of other comprehensive income.

Notes (continued)

17 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 11):

	Buildings £000
Cost and net book value	
Balance at 1 January 2022	169
Additions	128
Depreciation charge for the year	(149)
Balance at 31 December 2022	<u>148</u>

Lease liabilities

	2022 £000	2021 £000
Current	292	136
Non-current	-	-
	<u>292</u>	<u>136</u>

Amounts recognised in profit or loss

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

	2022 £000	2021 £000
Interest expense on lease liabilities	11	8
Depreciation expense	149	500
Reversal of depreciation charge on right of use asset incorrectly transferred to the Company (see note 11)	-	(380)
Reversal of interest expense on right of use asset incorrectly transferred to the Company (see note 11)	-	(7)
	<u>2022 £000</u>	<u>2021 £000</u>
Cash outflow for leases	<u>315</u>	<u>524</u>

The interest rates applied ranges from 1.90% to 4.03% dependent on the underlying asset.

Notes *(continued)*

18 Related party transactions and ultimate parent company

Other than the director's emoluments, disclosed in note 7, 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 and controlling party. Both the immediate and ultimate parent undertaking is 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.