Company Registration No. 4295981

Huawei Technologies (UK) Co., Ltd.

Annual report and financial statements

31 December 2018

Huawei Technologies (UK) Co., Ltd.

Annual report for the year ended 31 December 2018

Huawei Technologies (UK) Co., Ltd.

Annual report for the year ended 31 December 2018

Directors	Edmund John Philip Lord Browne Sir Andrew Thomas Cahn Sir Kenneth Aphunezi Olisa Houkun Hu Lifang Chen Wei Zhang Kang Liu
Secretary	Yun Chen
Registered Office	300 South Oak Way Green Park Reading RG2 6UF
Auditor	KPMG LLP Chartered Accountants Arlington Business Park Theale Reading RG7 4SD

Huawei Technologies (UK) Co., Ltd.

Annual report for the year ended 31 December 2018

Strategic report

The directors, in preparing this strategic report, have complied with Section 414C of the Companies Act 2006.

Principal activities and review of the business

The Company is a major product and services provider to IT communication businesses. The Company is focused upon providing leading IT technologies to both business operators and consumers. The Company's product and services portfolio includes a wide range of networks; transmission products with solutions; and the installation of telecommunications equipment and related services. In 2018, the Company has successfully delivered 4G LTE products to its customers, and 5G technology and products are ready for delivery to customers in 2019. In 2018, Huawei smart phones had a strong reception within the UK market, and have therefore supported the significant business growth.

The principal activities were as follows:

- Import and distribution of equipment, such as wireless equipment, fixed network equipment, software and devices
- Purchase and sale of components and spare parts
- Provision of research and development services to group companies*
- Provision of regional sales and marketing support services to group companies*

*Group companies meaning Huawei Investment & Holding Co., Ltd. and its subsidiary companies.

Throughout the year ended 31 December 2018, the Company has delivered a very solid performance in a challenging and competitive economic environment, maintaining its strong position as a major product and service provider to telecommunications operators and expanding the reputation of its smart phone brand. Profit after tax increased by 77% compared to 2017; shareholders' funds slightly decreased by 3% due to adjustment on adoption of IFRS 15; overall shareholders' funds reached £105.6M; and the directors believe the Company is well positioned to continue sales growth and increase profitability in 2019.

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

	2018 £m	**2017 £m**	**% change**
Turnover	**1,242.8**	781.7	59.0%
Gross profit	**250.5**	192.8	29.9%
Operating profit before interest and tax	**54.8**	36.6	49.7%
Profit after tax	**47.6**	26.9	77.0%
Shareholders' funds	**105.6**	108.9	-3.0%

Turnover for the year saw significant growth of 59%. The operating profit before interest and tax for the year reached £54.8M, an increase of 49.7% compared to 2017. The scale of growth has been achieved by continuing to provide the new 4G LTE products to existing customers and expanding smart phone sales by launching two new product series. The directors consider this to be a satisfactory performance given the competitiveness of the UK telecommunications market.

Strategic report (continued)

Fixed assets have increased by a total of £7.26M, due to the high level of procurement of new electronic equipment and furniture; both for internal business operations and to support customers' experience of new Huawei products and services. The Company has continued to optimize the inventory management by reinforcing the warehouse and logistics supplier management, the total inventory balance reduced to £76M. Debtors have increased significantly because of the business growth in 2018 and a higher balance in respect of services provided by the Company to the Group .Creditors increased due to rapid expansion of the smart phone business and effective incentivising of employees to drive performance in 2018. Administrative expenses decreased £14.4M, because the Company reclassified certain categories of expense to cost of sales according to business facts.

In line with new accounting rules, the Company has changed its policy for recognition of revenue in 2018. The Company has chosen to apply the new standard using the permitted retrospective with cumulative effect method, under which comparative information is not restated. Therefore, reported results for 2018 and 2017 are not directly comparable. Further details are set out in the financial statements.

The directors acknowledge their responsibility for the Company's systems of internal control and risk management and for monitoring their effectiveness. The purpose of these systems is to manage, rather than eliminate, the risk of failure to achieve business objectives, to provide reasonable assurance as to the quality of management information and to maintain proper control over the income, expenditure, assets and liabilities of the Company.

No system of control can, however, provide absolute assurance against material misstatement or loss. Accordingly, the directors have regard to what controls, in their judgement, are appropriate to the Company's business and to the relative costs and benefits of implementing specific controls.

The directors consider the principal risks and uncertainties faced by the Company are as follows:

Brexit Risk –On 23 June 2016, Britain voted to leave the European Union which caused significant fluctuation on the GBP exchange rates in 2016. In the past two years, a Brexit "deal" has been under negotiation, but a lack of resolution has created complexity and uncertainty regarding outcomes when exiting the European Union. Currency risk is limited by the majority of external and internal customer contracts utilising GBP. There will be omnibus legislation which will cover a range of areas including economics, tax, social and transport. The Company recognises the impact of the Brexit vote and has committed to manage the resultant risks. Management therefore believe the Company will navigate through the challenges of Brexit, and keep the future of the business stable with continuing success.

Competitive risks – the Company operates in a competitive industry and a continually evolving environment. The Company places great emphasis on distributing new and innovative solutions to meet ever-changing customer requirements.

Customer consolidation risk – the Company may face the uncertainty for those key customers that are going to be merged or acquire a new subsidiary during the coming year, which will affect the Company's annual business plan.

Credit risks – the Company is exposed to the risk of slow payment with certain customers. The Company monitors its exposure to credit losses by carrying out appropriate procedure to scrutinise credit check process before any sales are made.

Economic risks – Although there have been positive indicators of a recovery, as in previous years the economic climate remains challenging and unpredictable for the near future. Any deterioration in the economy may have an impact on the Company's financial position.

Strategic report (continued)

Other risks –At the end of 2018, reported security concerns spread across international media regarding the network technology related to Huawei's 5G technology. Until now, allegations have not been substantiated by evidence and Huawei has sought to assure governments and customers that network security is its absolute priority.

Huawei Technologies (UK) Co. Ltd. management, has concluded that this global 5G debate will not lead to assessable economic damage to Huawei UK.

Future prospects

The Company has set its financial targets for 2019 in anticipation of both risks and opportunities typical of the telecommunications sector. Management believes that successful execution of its business plan and continued focus on its customers' requirements, underpinned by the underlying financial and operating strength of the Company, will result in achievement of strong financial performance in an improving economic climate.

On behalf of the board

张伟

Wei Zhang

Director

26 March 2019

Huawei Technologies (UK) Co., Ltd.

Annual report for the year ended 31 December 2018

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Dividends

The directors do not propose to pay a dividend (2017: £nil).

Going concern

The Company has continued to grow its sales, making an operating profit in 2018 and has net current assets, net assets and substantial cash at year end. According to the 2019 business plan, the Company has set its financial targets for 2019 in anticipation of both risks and opportunities typical for the sector of telecommunication. The directors believe that business will continue to grow and achieve another impressive year under the 2019 business plan and keep strong financial performance and continue to be profitable.

Management have prepared cash flow forecasts to the period ending 30 June 2020 based on considering of revenues from existing customer orders as well as expected future orders from both existing and new customers. The forecast demonstrates that the Company expects to have sufficient cash resources available for it to continue as a going concern for a period of at least 12 months from the date the financial statements are signed.

Political donations

The Company made no political donations during the year (2017: £nil).

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

Edmund John Philip Lord Browne
Sir Andrew Thomas Cahn
Sir Kenneth Aphunezi Olisa (Appointed 1 August 2018)
Houkun Hu
Lifang Chen
Wei Zhang
Kang Liu (Appointed 1 August 2018)

Employees

The Company is committed to the recruitment and retention of first-rate people, and therefore offers a competitive package to achieve this objective. It believes in rewarding performance and encouraging employees to contribute to and share in the success and growth of the business.

Employees undertake an induction programme upon joining the Company and are provided with access to all HR policies and any updates that occur. Any other information relevant to employees is communicated when necessary.

Directors' report (continued)

Equal opportunities

The Company believes that diversity is at the heart of its aims and mission and therefore confirms its commitment to a comprehensive policy of equal opportunities in employment. Individuals are selected and treated on the basis of their relevant qualifications and abilities and are given equal opportunities within the Company and in the Company's assessment process. The aim of the policy is to ensure that no job applicant or employee should receive less favourable treatment on any grounds which are not relevant to good employment and selection practice. The Company is committed to a programme of action to make the policy fully effective.

It is the Company's policy to monitor equality and diversity across all aspects of its business. This includes:

a) The admission and recruitment of staff and candidates

b) The progression and achievement of staff

c) The number and nature of formal harassment complaints, grievances and disciplines

d) The attrition of staff

Monitoring in this way will identify if any particular groups experience a disadvantage. Should any unfair practices be discovered through the monitoring process, necessary action will be taken immediately to remedy the situation and ensure the disadvantaged group receives fair and equitable treatment in relation to their employment or recruitment experience.

Disclosure of information to the auditor

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

Approved by the Board of Directors
And signed on behalf of the Board

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Wei Zhang

Director

26 March 2019

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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.

KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

Independent auditor's report to the members of Huawei Technologies (UK) Co., Ltd.

Opinion

We have audited the financial statements of Huawei Technologies (UK) Co., Ltd. ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you 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 these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

N Hughes

Neil Hughes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
United Kingdom
RG7 4SD

28 March 2019

Huawei Technologies (UK) Co., Ltd.
Profit and Loss account and Other Comprehensive Income
As at 31 December 2018

	Notes	2018 £'000	2017 £'000
Turnover	4	1,242,771	781,704
Cost of sales		(992,265)	(588,861)
Gross profit		250,506	192,843
Distribution costs		(4,699)	(3,611)
Administrative expenses		(191,633)	(153,079)
Impairment gain on trade and other receivables		447	-
Other operating income		148	433
Operating profit		54,769	36,586
Income from shares in group undertakings		5,456	-
Interest receivable and similar income	9	593	201
Interest payable and similar expense	10	(3,031)	(2,420)
Profit before tax		57,787	34,367
Tax on profit	11	(10,103)	(7,437)
Profit after tax	5	47,684	26,930
Other comprehensive income for the year		159	-
Total comprehensive income		47,843	26,930

All amounts are derived from continuing operations.

The notes on page 14 to 31 form an integral part of these financial statements.

Huawei Technologies (UK) Co., Ltd.
Balance sheet
As at 31 December 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	12	24,493	16,378
Investments	13	-	858
		24,493	17,236
Current assets			
Stocks	14	76,026	94,400
Contract assets	4	38,549	-
Debtors	15	273,289	191,259
Cash at bank and in hand		190,689	36,648
		578,553	322,307
Creditors: Amounts falling due within one year	16	(307,162)	(213,634)
Contract liabilities	4	(167,497)	-
Net current assets		103,894	108,673
Total assets less current liabilities		128,387	125,909
Provisions for liabilities	17	(22,830)	(17,056)
Net assets		105,557	108,853
Capital and reserves			
Called up share capital	19	2,905	2,905
Profit and loss account		102,691	105,948
Other reserves		(39)	-
Total shareholders' funds		105,557	108,853

The notes on page 14 to 31 form an integral part of these financial statements.

The financial statements of Huawei Technologies (UK) Co., Ltd., registered number 4295981, were approved by the Board of Directors on 26 March 2019.

Signed on behalf of the Board of Directors

Wei Zhang 张伟

Director

Huawei Technologies (UK) Co., Ltd.
Statement of changes in equity

	Share capital £'000	Profit and loss account £'000	Other reserves £'000	Total £'000
Balance at 1 January 2017	2,905	79,018	-	81,923
Profit and total comprehensive income for the period	-	26,930	-	26,930
Balance at 31 December 2017	2,905	105,948	-	108,853
Adjustment on IFRS 15 Revenue from contracts with customers	-	(50,905)	-	(50,905)
Adjustment on IFRS 9 Financial instruments	-	(36)	(198)	(234)
Restated Balance	2,905	55,007	(198)	57,714
Profit and total comprehensive income for the period	-	47,684	159	47,843
Balance at 31 December 2018	2,905	102,691	(39)	105,557

The notes on page 14 to 31 form an integral part of these financial statements.

1 General information

Huawei Technologies (UK) Co., Ltd. (the "Company") is a company incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 4.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements because it is included in the group accounts of Huawei Technologies Coöperatief U.A. whose consolidated accounts are available to the public and can be obtained from www.kvk.nl.

2 Significant accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets, capital management, financial instruments, and related party transactions.

Where relevant, equivalent disclosures have been given in the Group accounts of Huawei Technologies Coöperatief U.A. whose consolidated accounts are available to the public and can be obtained as set out in note 22.

On 1 January of 2018, the Company adopted IFRS 15 and IFRS 9.The Company has decided to adopt IFRS 15 using the cumulative effect method. This adjusts the 31 December 2017 closing reserves for the cumulative profit impact of IFRS 15, without restatement of the prior period comparatives. The company applied a number of exemptions from retrospective application on transition to IFRS 9, hence comparative information has not been restated.

The financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The principal accounting policies adopted are set out below.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report on pages 2 to 4.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future.

The Company made an operating profit in 2018 and has net current assets, net assets and substantial cash at the year end. The Company has set its financial targets for 2019 in anticipation of both risks and opportunities typical of the telecommunications sector. Management believes that business will grow in line with the 2019 business plan and will achieve strong financial results.

Management have produced cash flow forecasts for the period to 30 June 2020. The forecasts take into account revenues from existing customer orders as well as expected future orders from both existing and new customers. The forecasts demonstrate that the Company expects to have sufficient financial resources available for a period of at least 12 months from the date the financial statements are signed.

2. Significant accounting policies (continued)

On the basis of their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Revenue recognition

The Company has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported in accordance with IAS 18 Revenue and IAS 11 Construction Contracts. The details of accounting policies under IAS 18 and IAS 11 are disclosed separately to the extent that they are different.

Policy applicable from 1 January 2018.

Revenue is measured based on the consideration specified in the contract with the customer and excludes variable consideration and amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service (or bundle) to a customer.

i. Contract combinations and modifications

Within the Carrier Network Business Group (CNBG) and Enterprise Business Group (EBG), the company combines separate customer contracts with the same customer if those contracts are priced together, are significantly interdependent or have a single commercial objective. Contract modifications are typically deemed to be new contracts if they result in a prospective change to an existing contract.

ii. Performance Obligations (PO)

In the Consumer Business Group (CBG) POs are typically terminal devices, accessories and services. In the CNBG there are significantly more POs due to the nature of the contracts which typically involve sales of networking hardware, software and a wide range of services. In the EBG where Huawei is delivering bespoke end-to-end solutions, there may in some cases only be a few POs.

In the CNBG and EBG customer warranties are recognized as a distinct service and are allocated revenue. The consumer group warranty on terminal devices and accessories is generally standard in nature and is accounted for as an assurance warranty at the time of the sale.

iii. Timing revenue recognition

Most CNBG contracts include multiple POs for which revenue is recognized when the company transfers control of each obligation, either at a point in time such as delivery or acceptance, or overtime as the obligation is being fulfilled or the customer obtains control of the goods and/or services. Some CNBG construction contracts represent a single or a few POs for which revenue is recognized proportionately over the delivery period.

Within the EBG most of its customer construction contracts constitute a single or a small number of POs for which revenue is recognized proportionately over the delivery period. Revenue is recognized for the remaining contracts with multiple POs when each obligation transfers control, either at a point in time, such as delivery or acceptance, or overtime as the obligation is being fulfilled and the customer obtains control of the goods and/or services.

Sales of terminal devices and accessories by the CBG to its distribution channels is recognized when control of the goods has transferred, which is upon sell-in in most cases.

iv. Variable consideration

Revenue is measured at the fair value of the consideration received or receivable, adjusted at contract inception for returns, trade discounts, volume rebates and other sales incentives, such as vouchers or coupons, provided that the level of expected return of goods, volume rebates and other incentives given can be estimated reliably.

2. Significant accounting policies (continued)

The Company considers several factors, including but not limited to, contract commitments, business practices, historical experience, customer take-up rates, and expected purchase volumes.

v. Stand-alone selling prices (SSP)

The transaction price of a contract with a customer is allocated to each PO in proportion to its stand-alone selling price. The CNBG and EBG primarily use estimated SSP and the CBG uses directly observable SSP.

Within CNBG and EBG, the Company establishes the SSP using an average price approach by category. Average prices are established based on several factors, including but not limited to customer, geography, competition, company growth strategy, market share, market penetration objectives, product family, costs and company profit objectives (including by Business Group, Product Family and Product Line).

When a significant discount is granted and is specifically attributable to one or more POs that discount is allocated to the identified PO(s). In all other cases the discount is allocated to the contract overall.

vi. Contract assets and liabilities

When revenue is recognized under a contract with a customer before consideration is received or the right to consideration is unconditional, a contract asset is recognized. When consideration is received (or the right to consideration is unconditional) before revenue is recognized, a contract liability is recognized.

Trade receivables are recognized when the right to consideration under a revenue contract becomes unconditional, regardless of the billing date.

vii. Refund liabilities

A refund liability, such as the accrued rebates to customers and other sales-based incentives granted, is recognized when the Company receives consideration from the customer and expects to refund some or all of that consideration to the customer.

Policy applicable until 31 December 2017.

The Company offers a comprehensive portfolio of telecommunication and data communication systems, network solutions and professional services covering a range of technologies.

Sales are recorded net of value added taxes, goods returned, trade discounts and rebates. Revenue is recognised with reference to all significant contractual terms when the product or service has been delivered, when the revenue amount is fixed or determinable and when collection is reasonably assured. Revenue from service contracts and managed services contracts is recognised in line with the delivery of the services over the contract period. Specific contractual performance and acceptance criteria may impact the timing and amounts of revenue recognised.

In revenue arrangements where more than one good or service is provided to the customer, customer consideration is allocated between the goods and services using relative fair value principles.

The profitability of individual contracts is periodically assessed, and provisions for any estimated losses are made immediately when losses are probable.

The company also provides services to other group companies*. Revenue is recognised as services are performed. Whilst revenue in relation to these services is recorded as turnover, due to the nature of the services provided, costs incurred in respect of these services are mainly recorded within administrative expenses.

*Group companies mean Huawei Investment & Holding Co., Ltd. and its subsidiary companies.

2. Significant accounting policies (continued)

Financial Instruments

The Company has adopted IFRS 9 with a date of initial application of January 1st, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement.

(i) Recognition and derecognition

Financial instruments, comprising financial assets and financial liabilities, are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or where it neither transfers nor retains substantially all of the risks and rewards of ownership and loses control. When control is retained, the entity continues to recognize the financial asset to the extent of its continuing involvement.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

(ii) Classification and measurement

Policy applicable from 1 January 2018

All financial assets and liabilities are initially recognized at fair value, which is usually the transaction price including, where appropriate, transaction that are directly attributable to the acquisition or issue of the financial asset or financial liability, with the exception of trade receivables without a significant financing component, which are measured at transaction price, determined in accordance with the entity's accounting policies for revenue.

- Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets are classified at fair value through other comprehensive income where they arise from contracts which give rise to cash flows which are solely principal and interest and which are held in a business model which realises some through sale and some by holding them to maturity are recognized initially at fair value plus any directly attributable transaction costs, or in the case of trade receivables, at the transaction price.

At the end of each reporting period they are re-measured to fair value, and the cumulative gain or loss compared to their amortised cost is recognized in other comprehensive income and in the fair value reserve. Interest income, and foreign exchange gains or losses on these assets are included in finance income or expenses in profit or loss. These assets are also subject to impairment.

When these assets are derecognized, the cumulative gain or loss is reclassified from equity to profit or loss.

- Financial assets measured at amortised cost (AC)

Financial assets are held at amortised cost when they arise from contracts which give rise to contractual cash flows which are held in a business model which mainly holds the assets to collect contractual cash flows.

These are measured at amortised cost using the effective interest method and are subject to impairment losses.

Leases

Rent payable under operating leases is charged to income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2. Significant accounting policies (continued)

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Employee benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Employees may be entitled to an annual bonus and may be granted units of the Time-based Unit Plan, which is a five-year bonus plan established by the ultimate parent company. The estimated benefit is recognised as an expense over the service period.

Taxation

The tax expense for the period comprises current and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

2. Significant accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation and any recognised impairments.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold improvements	length of lease
Fixtures and fittings	over a period of 2 to 3 years
Electronic equipment	over a period of 3 years

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrap page of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis

Stocks

Stocks are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Warranties

Provisions for the expected cost of warranty obligations of the consumer group on consumer devices and accessories under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgments in applying the Company's accounting policies

Revenue recognition

Revenue is recognized when control of a good or service is transferred to a customer as disclosed in note 2 to these financial statements. A number of judgements are inherent in revenue recognition and revenue may materially change if management's judgements were to change or to be found inaccurate.

To determine the satisfaction of performance obligations the Company applies the following judgements:

Where revenue is recognized over time the Company uses both input and output methods of measurement to value revenue progress. Judgements applied when using the input method include determining if consumption of those resources faithfully depicts the value of goods and/or services provided to the customer and measuring the consumption of internal resources relative to the total expected contract. Judgements applied when using the output method include assessing progress and milestones achieved and determining if that represents the value of goods and/or services delivered to the customer.

Where revenue is recognized at a point in time the Company assesses the transfer of control by reference to the contractual terms and past business practice. These include having a legal right to payment, title has passed, the customer has the risks and rewards of ownership or the customer is using the asset to generate value for themselves.

To determine the transaction price and the amounts allocated to performance obligations the Company applies the following judgements:

Variable consideration is estimated using the expected value / the most likely amount taking into consideration historical, current and expected information.

Discount rates applied to significant financing in revenue contracts are determined by reference to the customer's credit risk (financing income) or the Company's credit risk (financing expense), the geographical region and the duration of the contract.

Standalone selling price is determined using observable evidence of sales prices. In a number of cases statistical analysis is used to identify the historical price a product / service has been sold for. Where observable evidence is not available, standalone selling price is estimated using multiple inputs. Standalone selling prices are monitored regularly to ensure they remain appropriate.

Obligations for returns and refunds are judged based on estimates made from historical information associated with similar products and anticipated rates of claims for the products.

The following practical expedients have been applied as permitted by IFRS15:

i. Where the Company anticipates at contract inception that the timing difference between the transfer of control of a good or service to a customer, and the customer paying for that good or service will be one year or less, no financing element is accounted for.

ii. Costs of obtaining a contract are expensed as incurred where the amortisation period of the asset that would have been recognized is one year or less.

iii. Contracts with a duration of one year or less and contracts where revenue equates exactly to performance have been excluded from the unsatisfied performance obligation disclosure.

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

Significant Financing from revenue contracts with customers

Where a timing difference of more than 12 months arising between the satisfaction of a performance obligation for a customer, and receipt of payment from that customer then a significant financing transaction is judged to have arisen. An estimate of an appropriate discount rate is applied to the transaction which considers the customer's credit risk or, where appropriate, the Company's credit risk, amongst other factors.

Where payment is received more than one year in advance of satisfaction of a performance obligation an interest expense is recognized reflecting a borrowing of cash from a customer, and is presented separately from other expenses. The associated good or service revenue is increased by a corresponding amount and is included within revenue Where payment is received more than one year in arrears of satisfaction of a performance obligation interest income is recorded reflecting a lending of cash to a customer, and is presented in finance income. The revenue attributable to other goods and services in the contract is reduced by a corresponding amount and is included within revenue.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below

Whilst the company has recorded an estimate of provisions for inventory, doubtful receivables, warranty and potential loss making contracts, it considers the likelihood of material impact on future results from changes in assumptions in those to be low based upon the terms of how the company acts as a subsidiary for the group.

Provisions

Whilst the company has recorded an estimate of provisions for inventory, doubtful receivables, warranty and potential loss making contracts, it considers the likelihood of material impact on future results from changes in assumptions in those to be low based upon the terms of how the company acts as a subsidiary for the group.

Useful lives of property, plant and equipment

As described above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. It considers the likelihood of material impact on future results from changes in estimated useful lives to be low.

4 Turnover from contracts with customers

(i)An analysis of the Company's turnover and revenue is as follows:

	2018 £'000	2017 £'000
Sales of goods	965,480	528,431
Rendering of services	168,658	154,693
Rendering of services to other group companies	108,633	98,580
	1,242,771	781,704

4 Turnover from contracts with customers (continued)

(ii)An analysis of the Company's turnover by geographical market is set out below.

	2018 £'000	2017 £'000
UK	1,109,890	661,902
Rest of Europe	4,809	1,632
Rest of world	128,072	118,170
	1,242,771	781,704

(iii) **Contract balances**

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers. The company recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balances at January 1st:

	December 31st 2018 £'000	January 1st 2018 £'000
Debtors	273,289	190,265
Contract assets	38,549	33,210
Contract liabilities	(167,497)	(107,632)

The contract assets primarily relate to the company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers.

The amount of debtor in current period that was included in the contract Asset balance at the beginning of the period was £20.56M.

The amount of revenue recognised in current period that was included in the contract liability balance at the beginning of the period was £77.37M.

5. Profit for the year

Profit for the year has been arrived at after charging:	2018 £'000	2017 £'000
Net foreign exchange (gain) losses	(1,180)	2,280
Depreciation of tangible fixed assets	9,279	9,611
Loss on disposal of tangible fixed assets	35	41
Staff costs (see note 7)	152,100	128,604

6. Auditor's remuneration

Fees payable to KPMG LLP and its associates for the audit of the Company's annual accounts were £105,000 (2017: £95,146).

7. Staff costs

The monthly average number of employees (including executive directors) was:

	2018 No.	2017 No.
Sales	298	448
Services	202	399
Others	397	214
	897	1061

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	132,030	115,496
Social security costs	17,356	9,885
Other pension costs	2,714	3,223
	152,100	128,604

8. Directors' remuneration

	2018 £'000	2017 £'000
Aggregate remuneration	1,115	1,297
	1,115	1,297

The remuneration of the highest paid director was £407,046 (2017: £736,984) and there were no other payments made to that director during the year.

9. Interest receivable and similar income

	2018 £'000	2017 £'000
Interest on bank deposits	563	201
Interest receivable from customer financing	30	-
Total interest receivable	593	201

10. Interest payable and similar charges

	2018 £'000	2017 £'000
Interest payable on debtor factoring	3,031	2,420
Total interest payable	3,031	2,420

11. Tax

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax on profits for the year	10,014	7,830
Adjustments in respect of prior years		
- UK corporation tax	(373)	(314)
Total current tax	9,641	7,516
Deferred tax (note 18):		
Origination and reversal of timing differences	352	(443)
Adjustment in respect of prior years	164	173
Impact of change in tax rate	(54)	191
Total deferred tax	462	(79)
Total	10,103	7,437

Corporation tax is calculated at 19% (2017: 19.25%) of the estimated taxable profit for the year.

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	2018 £'000	2017 £'000
Profit before tax on continuing operations	57,788	34,367
Tax at the UK corporation tax rate of 19% (2017: 19.25%)	10,980	6,616
Tax effect of		
Expenses that are not deductible in determining taxable profit	424	771
Tax exempt revenues	(1,037)	-
Re-measurement of deferred tax due to changes in tax rate	(54)	191
Adjustment to tax charge in respect of prior years	(1)	-
Current tax	(373)	(314)
Deferred tax	164	173
Total tax charge	10,103	7,437

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

12. Tangible fixed assets

	Leasehold improvements £'000	Fixtures and fittings £'000	Electronic equipment £'000	Total £'000
Cost				
At 1 January 2018	9,614	439	35,571	45,624
Additions	2,342	5	15,083	17,430
Disposals	-	-	(1,471)	(1,471)
At 31 December 2018	11,956	444	49,183	61,583
Accumulated depreciation and impairment				
At 1 January 2018	4,851	310	24,085	29,246
Charge for the year	1,469	56	7,754	9,279
Disposals	-	-	(1,435)	(1,435)
At 31 December 2018	6,320	366	30,404	37,090
Carrying amount				
At 31 December 2018	5,636	78	18,779	24,493
At 31 December 2017	4,763	129	11,486	16,378

13. Investments

	£'000
Cost	
At 1 January and 31 December 2018	858
Provisions for impairment	
At 1 January 2018	-
Impairment during the year	858
At 31 December 2018	858
Net book value	
At 31 December 2018	-
At 31 December 2017	858

13. Investments (continued)

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Name	Country of incorporation	Proportion of ownership interest %	Proportion of voting power held %
The Centre for Integrated Photonics Limited	United Kingdom	100	100

The subsidiary's principal place of business and registered office is Phoenix House, Ipswich IP5 3RE.

The investments in subsidiaries are all stated at cost less provision for impairment.

14. Stocks

	2018 £'000	2017 £'000
Work-in-progress	6,540	13,938
Finished goods	69,486	80,462
	76,026	94,400

15. Debtors

Amounts falling due within one year:

	2018 £'000	2017 £'000
Trade debtors	206,722	173,966
Amounts owed by group undertakings	42,757	9,783
Other debtors	14,533	1,357
Deferred tax assets (see note 18)	2,830	3,284
Prepayments and accrued income	6,447	2,869
	273,289	191,259

16. Creditors

Amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	15,645	45,013
Amounts owed to group undertakings	26,513	14,428
Corporation tax	3,261	20
Social security and other taxes	8,257	18,301
Other creditors	114,130	41,172
Accruals and (for 2017) deferred income	139,356	94,700
	307,162	213,634

17. Provisions for liabilities

	2018 £'000	2017 £'000
Warranty provision	19,151	17,056
Other Provision	3,679	-
Total	22,830	17,056

Movement in warranty provision is detailed below	Warranty provision £'000
At 31 December 2017	17,056
Transition effect IFRS 15	(10,630)
Adjusted balance at 1 January 2018	6,426
Charged to Profit and Loss account	12,725
At 31 December 2018	19,151

The warranty provision is an estimate of the expected future warranty cost. It is estimated at the time the revenue is recognised and is based on estimates of the historical data of cost incurred. It will be utilised over the warranty term.

Other provision is an estimate of the cost of restoring leased premises to original condition at the end of the lease.

18. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

Deferred tax assets	Accelerated Capital Allowances £'000	Other temporary differences £'000	Total £'000
At 1 January 2017	1,582	1,623	3,205
Charge to profit or loss	594	(515)	79
At 1 January 2018	2,176	1,108	3,284
Charge/(credit) to profit or loss	251	(713)	(462)
Charge to other comprehensive income	-	8	8
At 31 December 2018	2,427	403	2,830

General tax rate for deferred tax calculation is 17%.

19. Share capital

	2018 £'000	2017 £'000
Issued and fully paid:		
5,600,000 ordinary shares of $1each at the historic rate of US $1.93 to £1	2,905	2,905

20. Operating lease arrangements

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £'000	2017 £'000
Within one year	6,688	6,138
In the second to fifth years inclusive	13,773	15,808
After five years	-	1,539
	20,461	23,485

During the year £8,159,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £7,956,000).

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21. Retirement benefit schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees.

The total cost charged to income of £2,714,000 (2017: £3,223,000) represents contributions payable to these schemes by the company at rates specified in the rules of the schemes. There was no outstanding or prepaid contribution at either the beginning or end of the financial year.

22. Changes in significant accounting policies

The Company has applied IFRS 15 using the retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of the significant changes and quantitative impact of the changes are set out below:

The following tables summarise the quantitative impact of adopting IFRS 15 on the Company's financial statements for the year ending 31 December 2018.

Balance Sheet

	As reported £'000	Adjustments £'000	Balances without adoption of IFRS 15 £'000
Stocks	76,026	10,827	86,853
Debtors	273,289	22,052	295,341
Contract assets	38,549	(38,549)	-
Creditors: Amounts falling due within one year	(307,162)	(132,140)	(439,302)
Contract liabilities	(167,497)	167,497	-
Profit and loss account	102,691	29,687	132,378

Profit and loss account and other Comprehensive income

	As reported £'000	Adjustments £'000	Balances without adoption of IFRS 15 £'000
Turnover	1,242,771	(33,800)	1,208,971
Cost of sales	(992,265)	19,300	(972,965)
Administrative expenses	(191,633)	563	(191,070)
Impairment loss/gain on trade and other receivables	447	(908)	(461)
Tax on profit on ordinary activities	(10,103)	2,288	(7,815)
Profit for the financial year	**47,685**	**(12,557)**	**35,128**
Total comprehensive income for the year	**47,844**	**(12,557)**	**35,287**

22. Changes in significant accounting policies (continued)

The following table summarises the impact, net of tax, of transition to IFRS 15 on retained earnings at January 1st:

Profit and loss account	**Impact of adopting IFRS 15 £'000**
Balance before adopting IFRS 15 and IFRS 9 at 31 December 2017	105,948
Impact of adopting IFRS 15	(50,905)
Balance under IFRS 15 at 1 January 2018	**55,043**

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 with a date of initial application of January 1st, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement.*

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for the year ended 31 December 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for the year ended 31 December 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
    - The determination of the business model within which a financial asset is held.

22. Changes in significant accounting policies (continued)

The following table summarises the impact of transition to IFRS 9 on the opening balance of reserves and retained earnings:

	Other reserve £'000	Profit and loss account £'000
Balance under IAS 39 at 31 December 2017	-	105,948
Remeasurement from amortized cost to fair value under IFRS 9	(198)	-
Bad debt provision	-	(36)
Balance under IFRS 9 at 1 January 2018	(198)	105,912

23. Parent and ultimate controlling party

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Huawei Investments & Holding Co Ltd. a Company incorporated in the People's Republic of China. The parent undertaking of the largest group, which includes the company and for which group accounts are prepared, is Huawei Investments & Holding Co Ltd. The parent undertaking of the smallest such group is Huawei Technologies Cooperatief U.A., a Company incorporated in Netherlands, whose consolidated accounts are available to the public and can be obtained from www.kvk.nl