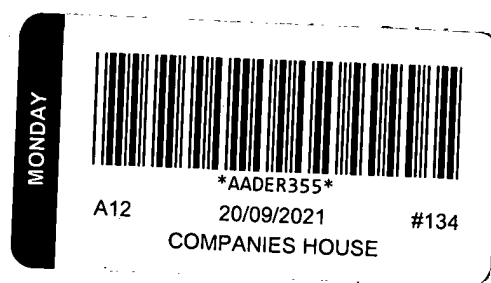


China Unicom (Europe) Operations Limited

Annual report and financial statements

Registered number 5992614

31 December 2020



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Strategic Report

Principal activities

The principal activity of the Company during the year was the provision of business connectivity, information and communication technology services (ICT services), cloud services and other telecommunication services to customers in various countries. We have registered branch offices in Germany, Switzerland, France and the Netherlands to further expand our footprint across Europe.

During 2020 the company has increased its capital expenditure to further improve its network layout by establishing more Points of Presence ("POPs") in Europe. The company has also built a strong 100G service capability along Asia-Europe fibre channel which opens up the Erenhot – Frankfurt 100 OTN channel and optimises the communication between Frankfurt and Beijing.

Results and dividends

During the year, the Company's turnover increased to £39,194,978 (2019: £35,825,146), operating profit decreased to £862,393 (2019: £1,464,413). This is due to the change in the costs charged by the parent company, following a review of the transfer pricing of services to the overseas operations.

Net profit for the financial year decreased to £1,081,466 (2019: £1,495,163). No interim or final dividends were paid or proposed (2019: £nil).

Future developments

The Company seeks to develop its existing business connectivity, ICT services, cloud services and other telecommunication related services, adding new products to the portfolio.

The Company will continue to focus on providing fast and reliable service to clients by setting up an improved network layout, extending the capacity of our existing Point of Presence ("POPs") and also construct more POPs across Europe.

The Company will also expand its footprint in Europe to become a more competitive player in the telecommunication market and increase its market share through cooperation with business partners in other European countries.

Post balance sheet event

There have been no circumstances or events subsequent to the year which require a adjustment of or disclosure in the financial statement or in the notes there to.

Principal risks and uncertainties

The management of the Company and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to competition from both United Kingdom ('UK') and overseas service providers. The risks also include the decrease of consumer demand influenced by global economic uncertainty and the decrease of service price incurred by competition as well as unknown trading obstacles due to Brexit and Covid-19 effects.

Brexit risk

In June 2016, the electorate in the United Kingdom ('UK') voted in favour of leaving the European Union (commonly referred to as "Brexit"). The withdrawal of the UK from the European Union has been finalised at the date of this report.

As a telecom service provider, based on our current company structure and revenue streams, the impact will be limited.

Strategic Report (continued)

Covid-19 risk

Considering recent COVID-19 situation, staff are working from home at the moment, the Company has strict business travel policy and engineers working on site policy. Customers are either telecom providers or enterprise customer whose HQ is located in China, hence the connection between customers with China Unicom is beyond the effect of Covid-19. The stock in telecom business is relatively low thus not impacted so far; the workforce is affected by the lockdown where staff cannot work onsite, however the situation now becomes recovered. The company's telecom service can be delivered remotely; small impact on ICT product delivery but have limited impact on the company.

Key performance indicators

The directors consider the key performance indicators to be revenue, operating profit, profit before tax and capital expenditure, as well as focusing on developing innovative products, expanding network covered area and enhancing its stability. Management is assessed against these key performance indicators by its parent company in Hong Kong.

The Group's employment policy is to provide equal opportunity to all current and prospective employees without any discrimination. The Company provides a work environment in which all individuals are treated with respect and dignity.

Key performance indicator

	December 2020	December 2019	% change
Revenue	£ 39,194,978	£ 35,825,146	9%
Operating profit	£ 862,393	£ 1,464,413	-41%
Profit before tax	£ 1,350,267	£ 2,334,678	-42%
Capital expenditure (see note 10)	£ 4,452,212	£ 1,143,695	289%

Financial risk management

(a) Cash flow and foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars, Euros, CHF, RMB and HK dollars. The amount of monetary assets and liabilities denominated in foreign currencies is monitored to minimise the risk.

The Company is part of a cash pooling group treasury process where operating cash flows are swept to head accounts held by China Unicom Global Limited based in Hong Kong. These advances are being kept in the bank in the form of cash to earn interest.

(b) Credit risk

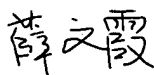
The Company puts great focus in evaluating credit rating of its customers. Most of the current clients are reputable telecom operators who have good credit ratings, all customers credit worthiness is assessed before sales are made. The Company has the right to terminate the services to the telecom operators and enterprises if payments become overdue.

Strategic Report (continued)

(c) Liquidity Risk

The Company has established an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

By order of the board



Man Ha Sit
Director

Level 35
25 Canada Square
Canary Wharf
London
E14 5LQ

15 April 2021

Directors' report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2020.

Future developments and events after the balance sheet date

We will keep focusing on providing fast and reliable service to clients by setting up an improved network layout, extending the capacity of our existing POPs. We will continue to develop new business portfolio and build up a more talented team.

Directors

The composition of the Board of Directors of the Company during the year ended 31 December 2020 and at the date of this report was as follows:

Ms Man Ha Sit (Appointed on 22 April 2020)
Mr Chang Liu (Appointed on 22 April 2020)
Mr Qiu Tao (Appointed on 22 April 2020)
Ms Liyan Zhao (Resigned on 22 April 2020)
Mr Shuxiong Chen (Resigned on 22 April 2020)
Ms Shusen Meng (Resigned on 22 April 2020)

Political contributions

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

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C (11) to set out in the company's strategic report information required by Large and Medium-sized Companies (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of the review of the business, principle risks and uncertainties and financial risks.

Going concern

The directors have considered the appropriateness of the going concern basis for the preparation of the financial statements and they continue to adopt the going concern basis in preparing the financial statements. The directors are satisfied that there is sufficient liquidity to continue operating. Further details on going concern can be found in the 'accounting policies' of the financial statements.

Disclosure of information to auditor

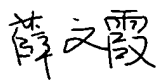
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make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

Directors' report (continued)

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.

By order of the board



Man Ha Sit
Director

Level 35
25 Canary Square
Canary Wharf
London
E14 5LQ

15 April 2021

Statement of directors' responsibilities in respect of the Annual Report, 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA UNICOM (EUROPE) OPERATIONS LIMITED

Opinion

We have audited the financial statements of China Unicom (Europe) Operations Limited ("the company") for the year ended 31 December 2020 which comprise the profit or loss account and other comprehensive income, balance sheet and statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

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").

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA UNICOM (EUROPE) OPERATIONS LIMITED *(continued)*

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company’s high-level policies and procedures to prevent and detect fraud and the Company’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board of other relevant meeting minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Evaluated the business purpose of significant unusual transactions.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA UNICOM (EUROPE) OPERATIONS LIMITED *(continued)*

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: UK telecommunication regulators (i.e. Ofcom) and other European telecommunication regulators (i.e. Service des Postes et Télécommunications de Polynésie Française, Bundesnetzagentur, Federal Communications Commission, Bureau Telecommunicatie & Post), health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information;
- in our opinion the information given in the strategic report and the directors' report 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA UNICOM (EUROPE) OPERATIONS LIMITED *(continued)*

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 6, 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.

Adrian Wilcox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London
E14 5GL
15 April 2021

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2020

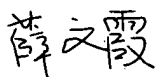
	<i>Note</i>	2020 £	2019 £
Turnover	2	39,194,978	35,825,146
Cost of sales		(35,623,159)	(29,356,989)
Gross profit		<hr/> 3,571,819	6,468,157
Distribution costs		(81,681)	(187,056)
Administrative expenses		(2,649,439)	(4,816,688)
Operating profit		<hr/> 862,393	1,464,413
Other interest receivable and similar income	6	566,585	929,985
Interest payable and similar expenses	7	(57,017)	(59,720)
Profit before taxation		<hr/> 1,350,267	2,334,678
Tax on profit	8	(268,801)	(839,515)
Profit for the financial year		<hr/> <hr/> 1,081,466	<hr/> 1,495,163
Total comprehensive income for the year		<hr/> <hr/> 1,081,466	<hr/> <hr/> 1,495,163

The notes on page 14 to 23 are integral to the financial statements.

Balance Sheet
at 31 December 2020

	Note	2020	2019
		£	£
Fixed assets			
Intangible assets	9	13,517	15,458
Tangible assets	10	10,261,540	7,041,925
Investment	11	1	1
		<hr/>	
		10,275,058	7,057,384
Current assets			
Debtors	12	32,508,546	27,256,457
Inventory	13	100,115	429,709
Cash at bank and in hand	14	1,175,279	1,033,545
		<hr/>	
		33,783,940	28,719,711
Creditors: amounts falling due within one year	15	(28,356,074)	(21,265,199)
		<hr/>	
Net current assets		5,427,866	7,454,512
		<hr/>	<hr/>
Total assets less current liabilities		15,702,924	14,511,896
Deferred tax liability	16	(640,677)	(531,115)
		<hr/>	<hr/>
Net assets		15,062,247	13,980,781
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	4,861,000	4,861,000
Profit and loss account		10,201,247	9,119,782
		<hr/>	<hr/>
Shareholders' funds		15,062,247	13,980,781
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 15 April 2021 and were signed on its behalf by:



Man Ha Sit
Director

Company registered number: 5992614

The notes on page 14 to 23 are integral to the financial statements.

Statement of Changes in Equity

	Called up Share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2019	4,861,000	7,624,618	12,485,618
Total comprehensive income for the period			
Profit or loss	-	1,495,163	1,495,163
	<hr/> 4,861,000	<hr/> 9,119,781	<hr/> 13,980,781
Balance at 31 December 2019	<hr/>	<hr/>	<hr/>

	Called up Share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2020	4,861,000	9,119,781	13,980,781
Total comprehensive income for the period			
Profit or loss	-	1,081,466	1,081,466
	<hr/> 4,861,000	<hr/> 10,201,247	<hr/> 15,062,247
Balance at 31 December 2020	<hr/>	<hr/>	<hr/>

The notes on page 14 to 23 are integral to the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

China Unicom (Europe) Operations Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 5992614 and the registered address is Level 35, 25 Canary Square, Canary Wharf, London, E14 5LQ.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")*. The presentation and functional currency of these financial statements is sterling.

The Company's parent undertaking, China Unicom Global Limited includes the Company in its consolidated financial statements. The consolidated financial statements of China Unicom Global Limited are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and are available to the public and may be obtained from the address in note 20. In these financial statements, the company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation

As the consolidated financial statements of China Unicom Global Limited include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 24 months to 31 December 2022 taking account of reasonably possible downside scenarios. They have considered implications from the global pandemic outbreak – COVID-19 within their assumptions. To date the impact of COVID-19 has had limited impact and disruption to their business given that the core of the business is the provision of telecommunication and internet connectivity services which are delivered remotely. The company continues to trade profitably and based on their latest results for the current year it continues to grow. Profit margins are in line with targets for the year and the expectation is these will continue during 2021.

The company is part of a cash pooling group treasury process where operating cash flows are swept to head accounts held by China Unicom Global Limited based in Hong Kong. These advances are being kept in the bank in the form of cash to earn interest. In the event that cash is required by the company, the directors will be able to draw on this cash with 7 days notice. To date the directors have not needed to draw any cash from China Unicom Global Limited as the UK businesses continues to be cash generative.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes (continued)

1 Accounting policies (continued)

1.3 Foreign currency

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

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) 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
- (b) 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. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The Company assesses at each reporting date whether tangible fixed assets are impaired.

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. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Network equipment 5 to 10 years
- Office equipment 5 to 9 years
- Lease improvements amortised over the initial lease term

Assets under construction are not depreciated until completed and ready for use.

Notes (continued)

1 Accounting policies (continued)

1.7 Turnover

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration of the type of customer, the type of transaction and the specifics of each arrangement. Monthly fees and sales of services are recognised when the services are rendered.

1.8 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.9 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 timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.10 Provision

A provision is recognised in the balance sheet when the entity 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 recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Notes (continued)

2 Turnover

	2020 £	2019 £
By geographical market		
UK	6,839,691	5,588,707
Europe	11,469,747	11,467,684
Rest of World	20,885,540	18,768,755
	<u>39,194,978</u>	<u>35,825,146</u>

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2020 £	2019 £
Depreciation	838,932	927,462
Operating lease expense	705,672	1,300,390

Auditor's remuneration:

	2020 £	2019 £
Audit of these financial statements	107,000	73,000
Taxation compliance services	9,600	10,100

4 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 2020	2019
<i>By activity</i>		
Production	8	8
Selling and distribution	51	48
Administration	14	15

The aggregate payroll costs of these persons were as follows:

	2020 £	2019 £
Wages and salaries	4,310,110	3,764,540
Social security costs	887,774	788,111
	<u>5,197,884</u>	<u>4,552,651</u>

Notes (continued)

5 Directors' remuneration

	2020	2019
	£	£
Directors' remuneration	260,343	287,449

The aggregate remuneration of the highest paid director was £ 260,343 (2019: £287,449).

6 Other interest receivable and similar income

	2020	2019
	£	£
Bank Interest receivable	327,389	477,965
Other income	55,842	-
Net foreign exchange gain	183,354	452,050
Total other interest receivable and similar income	566,585	929,985

7 Interest payable and similar expenses

	2020	2019
	£	£
Bank Interest payable	57,017	59,720
Total other interest payable and similar expenses	57,017	59,720

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2020	2019
	£	£
<i>Current tax</i>		
Current tax on income for the period	174,849	240,396
Foreign taxation	-	95,074
Adjustments in respect of prior periods	(21,560)	325,866
Total current tax	153,289	661,336
<i>Deferred tax</i>		
Origination and reversal of timing differences	96,929	190,666
Impact of change in tax rate on opening balance	57,863	(20,070)
Adjustments in respect of prior periods	(39,280)	7,583
Total deferred tax	115,512	178,179
Total tax	268,801	839,515

Notes (continued)

8 Taxation (continued)

Analysis of current tax recognised in profit and loss

	2020	2019
	£	£
UK corporation tax	174,849	240,396
Adjustments in respect of prior periods (UK tax)	(21,560)	325,866
Adjustments in respect of prior periods (foreign tax)	-	95,074
	<hr/>	<hr/>
Total current tax recognised in profit and loss	153,289	661,336
	<hr/>	<hr/>

Reconciliation of effective tax rate

	2020	2019
	£	£
Profit before taxation	1,350,267	2,334,678
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19.00 % (2019: 19.00 %)	256,551	443,589
Effect of:		
Expenses not deductible for tax purposes	15,227	5,537
Effects of overseas tax rates	-	77,010
Adjustments to tax charges in respect of previous periods	(60,840)	333,449
Tax rate changes	57,863	(20,070)
	<hr/>	<hr/>
Total tax expense included in profit or loss	268,801	839,515
	<hr/>	<hr/>

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax liability at balance sheet date has been calculated at 19% (2019: 17%).

9 Intangible assets

	£
Cost	
Balance at 1 January 2020	30,635
Additions	10,139
	<hr/>
Balance at 31 December 2020	40,774
	<hr/>
Amortisation	
Balance at 1 January 2020	15,177
Amortisation charge for the year	12,080
	<hr/>
Balance at 31 December 2020	27,257
	<hr/>
Net book value	
At 1 January 2020	15,458
At 31 December 2020	13,517
	<hr/>

Intangible assets include software for office applications

Notes (continued)

10 Tangible Fixed Asset

	Office Equipment £	Network Equipment £	Assets under construction £	Leasehold improvements £	Total £
Cost					
Balance at 1 January 2020	155,936	11,401,464	802,431	295,746	12,655,577
Additions	8,189	3,554,219	884,596	5,208	4,452,212
Transfers	8,453	997,244	(1,005,697)	-	-
Disposals	(21,384)	(394,751)	-	-	(416,135)
Balance at 31 December 2020	151,194	15,558,176	681,330	300,954	16,691,654
Depreciation					
Balance at 1 January 2020	81,205	5,236,701	-	295,746	5,613,652
Depreciation charge for the year	21,063	1,146,718	-	781	1,168,562
Disposals	(19,707)	(332,393)	-	-	(352,100)
Balance at 31 December 2020	82,561	6,051,026	-	296,527	6,430,114
Net book value					
At 1 January 2020	74,731	6,164,764	802,431	-	7,041,925
At 31 December 2020	68,633	9,507,150	681,330	4,427	10,261,540

11 Investment

	2020 £	2019 £
Investment	1	1

Investment relates to 1% share in China Unicom (Russia) Operations Limited, a subsidiary of China Unicom Global Limited.

Notes (continued)

12 Debtors

	2020 £	2019 £
Trade debtors	1,150,504	2,518,205
Amounts owed by group undertakings	29,745,457	23,470,910
Corporation tax receivable	299,282	-
Tax and social security	851,484	778,321
Other debtors	461,819	489,021
	<u>32,508,546</u>	<u>27,256,457</u>

Amount owed to group undertakings includes an interest bearing cash pooling balance of £16,693,032 swept to the parent company, China Unicom Global Limited's account in Hong Kong, interest will be calculated at the rate which is the aggregate of 6 months SIBOR/LIBOR/HIBOR (as selected by the parent company) and 1% per annum for the period starting on 1st January and ending on 30th June, and then from 1st July to 31st December each year.

No interest is charged on receivables. The directors consider that the carrying amount of debtors approximates to their fair value. Intercompany balances are repayable on demand.

13 Inventory

	2020 £	2019 £
Finished goods	100,115	429,709

14 Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	1,175,279	1,033,545

Notes (continued)

15 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	589,670	370,794
Amounts owed to group undertakings	14,846,952	11,423,331
Corporation tax creditors	-	232,685
Other creditors including taxation and social security	363,823	994,841
Accruals and deferred income	12,555,629	8,243,544
	<u>28,356,074</u>	<u>21,265,199</u>

The directors consider the carrying amount of trade creditors approximates to their fair value. Intercompany balances are rep ayable on demand. No interest is charged on payables.

16 Deferred tax liabilities

	2020 £	2019 £
At the beginning of the year	531,115	352,936
Charged/(Credited) to profit or loss	109,562	178,179
	<u>640,677</u>	<u>531,115</u>
At end of year	640,677	531,115

Deferred tax liabilities are attributable to the following:

	2020 £	2019 £
Accelerated capital allowances	640,677	531,115

Deferred tax is calculated in full on temporary differences under the liability method using the tax rates that have been substantively enacted for future years, being 19%. The deferred tax liability has arisen due to timing difference on tangible fixed assets.

17 Capital and reserves

Share capital

	2020 £	2019 £
<i>Authorised</i>		
5,860,000 ordinary shares of £1 each	5,860,000	5,860,000
<i>Allotted, called up and fully paid</i>		
4,861,000 ordinary shares of £1 each	4,861,000	4,861,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes (continued)

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2020	2020	2020	2019	2019	2019
	£	£	£	£	£	£
	Land and building	Other	Total	Land and building	Other	Total
Less than one year	1,418,565	1,062,944	2,481,509	564,587	230,765	795,352
Between one and five years	1,590,901	1,370,585	2,961,486	2,461,061	220,402	2,681,463
	<u>3,009,466</u>	<u>2,433,529</u>	<u>5,442,995</u>	<u>3,025,648</u>	<u>451,167</u>	<u>3,476,815</u>

During the year £705,672 was recognised as an expense in the profit and loss account in respect of operating leases (2019: £1,300,390).

The Company has entered into operating lease in 2018 for the rental of office premises for a term between 9 months to 8 years and the rental of point of presence (POP) for a term between 3 to 5 years, with an option to renew the lease after that date.

19 Related parties transactions

The Company is a wholly owned subsidiary of China Unicom Global Limited.

The directors have availed of the exemption in FRS102 for wholly owned subsidiary undertakings from the requirement to provide details of transactions with fellow group companies where group financial statements are prepared and made available to the public. This exemption applies between China Unicom (Europe) Operations Limited and fellow subsidiaries of its parent company – China Unicom Global Limited.

20 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of China Unicom Global Limited. The ultimate controlling party is China United Network Communication Group Company Limited, a stated-owned enterprise in China.

The largest group in which the results of the Company are consolidated is that headed by China United Network Communication Group Company Limited, incorporated in China. The smallest group in which they are consolidated is that headed by China Unicom Global Limited, incorporated in Hong Kong. The consolidated financial statements of these groups are available to the public and may be obtained from its registered office at 75th Floor, The Center, 99 Queen's Road Central, Hong Kong.