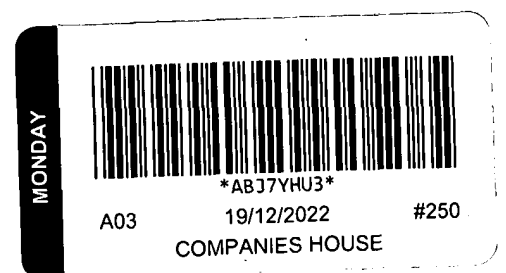


**Company Registration No. 12396621**

**Cyber Security Evaluations Limited**

**Annual Report and Financial Statements**

**31 December 2021**



Cyber Security Evaluations Limited

## **Annual report for the year ended 31 December 2021**

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# **Cyber Security Evaluations Limited**

## **Annual report for the year ended 31 December 2021**

### **Directors**

Sir Andrew Thomas Cahn  
Binbing Xiao  
Xin Wang

### **Registered Office**

Endeavour House Unit  
3 Banbury Office Village  
Noral Way, Banbury  
Oxfordshire, UK  
OX16 2SB

### **Auditor**

KPMG LLP  
Chartered Accountants  
15 Canada Square,  
Canary Wharf,  
London  
E14 5GL

# Cyber Security Evaluations Limited

## Annual report for the year ended 31 December 2021

### 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 principal activity of the Company is to operate the Huawei Cyber Security Evaluation Centre ("HCSEC"). HCSEC provides cyber security evaluation services in relation to Huawei equipment used in UK public electronic communications networks. HCSEC's evaluation services were carried out over the course of the year, and it is anticipated that HCSEC's evaluation services will continue to be provided. Among other things, the arrangements provided by HCSEC are a "relevant Risk Mitigation Strategy" under the terms of the Designated Vendor Direction issued by the UK government on 13 October 2022 ("the DVD").

As of the date of preparation of these accounts, the independence, competence and overall effectiveness of HCSEC has been overseen by the HCSEC Oversight Board, the members of which include representatives of the UK government, public network providers and Huawei. The Company has continued to provide reports to the HCSEC Oversight Board in the usual manner. The seventh HCSEC Oversight Board Annual Report which covers the period January to December 2020 was published by the UK government in June 2021. No HCSEC Oversight Board Annual Report covering the period January to December 2021 has been published as of the date of preparation of these accounts.

The performance for the period shows a profit for the financial period of £450,424, on revenue of £8,117,120 and reflect the main activities in the period.

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

	2021 GBP	2020 GBP	% change
Turnover	8,117,120	3,795,873	113.8%
Gross profit	386,350	180,756	113.7%
Operating profit before interest and tax	381,933	159,532	139.4%
Profit after tax	450,424	53,954	734.8%

The primary costs of the Company are employment costs, depreciation and amortization of capitalized assets, and expenses on the equipment and software that does not reach the standard of assets capitalization.

The directors acknowledge their responsibility for the Company's systems of internal control and risk management and for monitoring their effectiveness. The purposes of these systems are 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 judgment, are appropriate to the Company's business and to the relative costs and benefits of implementing specific controls.

## Cyber Security Evaluations Limited

### Annual report for the year ended 31 December 2021 Strategic report (continued)

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


- HCSEC continued operation – The principal activity of the Company is the operation of HCSEC. The continued operation of the Company therefore relies upon the continued operation of HCSEC. The arrangements provided by HCSEC are a “relevant Risk Mitigation Strategy” under the terms of the DVD.
- Staff retention - The Company relies upon attracting and retaining employees with the necessary skills, technical expertise, qualifications and experience to provide the cyber security evaluation services.
- Material uncertainties as a result of the Company’s dependence on Huawei Technologies (UK) Co., Ltd. (“Huawei UK”) which has been disclosed in the “going concern” section of the Directors’ Report.

#### Future prospects

The directors intend to continue to carry out the activities of the company and believe the company is well positioned to fulfil its objectives.

On behalf of the board

Binbing Xiao  
Director



14/12/2022

# **Cyber Security Evaluations Limited**

## **Annual report for the year ended 31 December 2021**

### **Directors' report**

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

#### **Dividends**

The directors do not propose to pay a dividend.

#### **Going concern**

The Directors have prepared the financial statements using the going concern basis of accounting, which they consider to be appropriate having assessed the Company's financial position and prospects and concluded that they expect the Company to continue as a going concern for at least 12 months from the date of approval of these financial statements. Their assessment includes the following events and conditions that indicate the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern and, therefore, to realise its assets and settle its liabilities in the normal course of business.

#### *Dependence on Huawei Technologies (UK) Co., Ltd ('Huawei UK').*

The principal activity of the Company is to provide cyber security evaluation services in relation to Huawei UK equipment deployed in the UK's critical national infrastructure. All of the Company's revenue is derived from Huawei Technologies (UK) Co., Ltd ("Huawei UK").

This dependence on Huawei UK creates material uncertainties in relation to the Company's ability to continue as a going concern because Huawei UK has identified material uncertainties in relation to its ability to continue as a going concern as a result of loss of business caused by the long-term consequences of US and UK government restrictions, although it considers itself to be a going concern and prepared its financial statements for the year ended 31 December 2021 on that basis.

The Company charges Huawei UK for the expenses it incurs plus a margin of 5% in accordance with a service agreement the two companies signed in June 2020. The Company's management has prepared cash flow forecasts for the period ending on 31 December 2023, assuming that there will be a continued demand for cyber security evaluation services from Huawei UK for as long as its equipment is in operation in the UK critical national infrastructure. The Company's management has also considered the significant cash balance of £3,850,937 the Company holds as at the beginning of December 2022.

Based on these forecasts, while significant doubt over the company's ability to continue as a going concern exists, the Directors believe that the Company will have no need to cease trading or liquidate for at least 12 months from the date of approval of the financial statements, and have no intention of ceasing to trade or to liquidate it, and therefore the going concern basis used to prepare these financial statements is appropriate.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### **Political donations**

The Company made no political donations during the period.

# **Cyber Security Evaluations Limited**

## **Annual report for the year ended 31 December 2021**

### **Directors' report (continued)**

#### **Directors**

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

Sir Andrew Thomas Cahn

Jiangang Zhang (Resigned on 26 October 2022)

Binbing Xiao (Appointed 26 October 2022)

Xiaowen Ye (Resigned on 4 August 2021)

He Li (Appointed on 22 July 2021, Resigned on 11 May 2022)

Xin Wang (Appointed on 11 May 2022)

#### **Employees**

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.

#### **Equal opportunities**

The Company believes that diversity is at the heart of its aim and mission and 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 in the recruitment process and upon employment. 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.

The Company monitors equality and diversity across all aspects of its business, including:

- 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 aims to identify whether any group experiences a disadvantage. Should any unfair practices be identified through the monitoring process, action will be taken immediately to remedy the situation and ensure the disadvantaged group receives fair and equitable treatment in relation to their recruitment or employment.

#### **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.

## **Cyber Security Evaluations Limited**

### **Annual report for the year ended 31 December 2021**

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

Binbing Xiao

Director


Endeavour House Unit

3 Banbury Office Village

Noral Way, Banbury

Oxfordshire, UK

OX16 2SB



14/12/2022



**Cyber Security Evaluations Limited  
Huawei Technologies (UK) Co. Limited  
Annual report for the year ended 31 December 2021**

**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.

The Companies Act 2006 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 the Companies Act 2006 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  
15 Canada Square,  
Canary Wharf,  
London  
E14 5GL

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYBER SECURITY EVALUATIONS LIMITED**

### **Opinion**

We have audited the financial statements of Cyber Security Evaluations Limited ("the Company") for the year ended 31 December 2021 which comprise the Profit and loss account and other comprehensive income, Balance Sheet, Statement of Changes in Equity and related notes, including the significant 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 2021 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.

### **Material uncertainty related to going concern**

We draw attention to note 2 to the financial statements which indicates that the Company is dependent on Huawei UK, which has identified material uncertainties in relation to its ability to continue as a going concern as a result of loss of business caused by the long-term consequences of US and UK government restrictions. These events and conditions, along with the other matters explained in note 2, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

### **Going concern basis of preparation**

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

### **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 as well as whether they have knowledge of any actual, suspected or alleged fraud
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Using our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the Company.

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 in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's revenue generating activity is simple and non-complex as it relates to providing services to other Huawei Group companies.

We did not identify any additional fraud risks.

We 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.

#### *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 and other management 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.

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. We identified the following areas as those most likely to have such an effect: data protection, health and safety, anti-bribery and anti-money laundering recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management 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.

### **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](http://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.



**David Neale**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square,

Canary Wharf,

London

E14 5GL

16 December 2022

**Cyber Security Evaluations Limited**  
**Profit and Loss account and Other Comprehensive Income**  
**For the year ended 31 December 2021**

	Notes	2021	2020
		GBP	GBP
Turnover	4	8,117,120	3,795,873
Cost of sales		(7,730,770)	(3,615,117)
<b>Gross profit</b>		<b>386,350</b>	<b>180,756</b>
Administrative expenses		(4,417)	(21,224)
<b>Operating profit</b>		<b>381,933</b>	<b>159,532</b>
Tax on profit	9	68,491	(105,578)
<b>Profit after tax</b>		<b>450,424</b>	<b>53,954</b>
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>450,424</b>	<b>53,954</b>

All amounts are derived from continuing operations.

The notes on page 15 to 24 form an integral part of these financial statements.


**Cyber Security Evaluations Limited**  
**Balance sheet**  
**As at 31 December 2021**

		2021	2020
	Notes	GBP	GBP
<b>Fixed assets</b>			
Intangible assets	11	1,631,306	1,651,299
Tangible assets	10	2,818,609	1,352,677
		<u>4,449,915</u>	<u>3,003,976</u>
<b>Current assets</b>			
Debtors due within one year	12	2,354,583	4,124,507
Cash at bank and in hand		1,681,628	724,677
Creditors: Amounts falling due within one year	13	4,036,211 (981,748)	4,849,184 (799,206)
<b>Net current assets</b>		<u>3,054,463</u>	<u>4,049,978</u>
<b>Total assets less current liabilities</b>		<u>7,504,378</u>	<u>7,053,954</u>
<b>Capital and reserves</b>			
Called up share capital	15	7,000,000	7,000,000
Profit and loss account		504,378	53,954
<b>Total shareholders' funds</b>		<u>7,504,378</u>	<u>7,053,954</u>

The notes on page 15 to 24 form an integral part of these financial statements.

The financial statements of Cyber Security Evaluations Limited, registered number 12396621, were approved by the Board of Directors on 14 December 2022.

Signed on behalf of the Board of Directors



Binbing Xiao  
 Director

14/12/2022

**Cyber Security Evaluations Limited**  
**Statement of changes in equity**

	Share capital GBP	Profit and loss account GBP	Total GBP
<b>Balance at 10 January 2020</b>	-	-	-
Profit and total comprehensive income for the period	-	53,954	53,954
Issued and fully paid 7,000,000 ordinary shares of £1 each	7,000,000	-	7,000,000
<b>Balance at 31 December 2020</b>	<b>7,000,000</b>	<b>53,954</b>	<b>7,053,954</b>
Profit and total comprehensive income for the period	-	450,424	450,424
<b>Balance at 31 December 2021</b>	<b>7,000,000</b>	<b>504,378</b>	<b>7,504,378</b>

The notes on page 15 to 24 form an integral part of these financial statements.



# **Cyber Security Evaluations Limited**

## **Notes to the financial statements**

### **For the year ended 31 December 2021**

#### **1 General information**

Cyber Security Evaluations Limited (the "Company") is a private company incorporated, domiciled and registered in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1.

The presentation currency of these financial statements is sterling pound.

The company's ultimate parent undertaking Huawei Investment and Holding Company includes the company in its consolidated financial statements. The consolidated financial statements of Huawei Investment and Holding Company are available to the public and may be obtained from [www.huawei.com](http://www.huawei.com).

#### **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 accounting standards in conformity with the requirements of the Companies Act 2006 ("UK-adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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:

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Disclosures in respect of the compensation of Key Management Personnel;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures
- Comparative disclosures for movements in fixed assets required by IAS 16 Property Plant and Equipment
- The effects of new but not yet effective IFRSs.

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, certain disclosures regarding leases, capital management, financial instruments, and related party transactions.

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

The principal accounting policies adopted are set out below.

##### **Going concern**

The Directors have prepared the financial statements using the going concern basis of accounting, which they consider to be appropriate having assessed the Company's financial position and prospects and concluded that they expect the Company to continue as a going concern for at least 12 months from the date of approval of these financial statements.

## **Cyber Security Evaluations Limited**

### **Notes to the financial statements**

### **For the year ended 31 December 2021**

Their assessment includes the following events and conditions that indicate the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern and, therefore, to realise its assets and settle its liabilities in the normal course of business.

#### *Dependence on Huawei UK.*

The principal activity of the Company is to provide cyber security evaluation services in relation to Huawei UK equipment deployed in the UK's critical national infrastructure. All of the Company's revenue is derived from Huawei UK.

This dependence on Huawei UK creates material uncertainties in relation to the Company's ability to continue as a going concern because Huawei UK has identified material uncertainties in relation to its ability to continue as a going concern as a result of loss of business caused by the long-term consequences of US and UK government restrictions, although it considers itself to be a going concern and prepared its financial statements for the year ended 31 December 2021 on that basis.

The Company charges Huawei UK for the expenses it incurs plus a margin of 5% in accordance with a service agreement the two companies signed in June 2020. The Company's management has prepared cash flow forecasts for the period ending on 31 December 2023, assuming that there will be a continued demand for cyber security evaluation services from Huawei UK for as long as its equipment is in operation in the UK critical national infrastructure. The Company's management has also considered the significant cash balance of £3,850,937 the Company holds as at the beginning of December 2022.

Based on these forecasts, while significant doubt over the company's ability to continue as a going concern exists, the Directors believe that the Company will have no need to cease trading or liquidate for at least 12 months from the date of approval of the financial statements, and have no intention of ceasing to trade or to liquidate it, and therefore the going concern basis used to prepare these financial statements is appropriate.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### **Revenue recognition**

The Company is engaged in providing cyber security evaluation services in relation to the involvement of Huawei in parts of the UK's critical national infrastructure. All revenue is derived from Huawei UK under an intercompany services agreement based on expenses incurred in delivering cyber security evaluation services plus an agreed mark-up. Revenue is recognised as the services are delivered which is deemed to be as the cost is incurred.

The revenue is measured at fair value of consideration received or receivable. Where it is probable that the economic benefits will flow to the Company and the revenue and costs can be measured reliably, revenue from the provision of services is recognised in profit or loss at the time when the services are provided. No revenue is recognised if there are significant uncertainties regarding the recovery of consideration due. Revenue excludes value add tax or other sales taxes.

#### **Finance income and Finance costs**

Interest payable and similar expenses include interest payable and net foreign exchange losses. Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and expenses are recognised in profit or loss account as it accrues, using the effective interest rate method. Foreign currency gains and losses are reported on a net basis.

# **Cyber Security Evaluations Limited**

## **Notes to the financial statements**

### **For the year ended 31 December 2021**

#### **Employee benefits**

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 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 operating 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. 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 tax 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.

#### **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.

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

#### **Financial Instruments**

##### **(i) Recognition and de - recognition**

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

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire.

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

##### **(ii) Classification and measurement**

## **Cyber Security Evaluations Limited**

### **Notes to the financial statements**

### **For the year ended 31 December 2021**

All financial assets and liabilities are initially recognised at fair value, which is usually the transaction price including, where appropriate, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

All Company's financial assets 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.

#### **(iii) Impairments**

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

#### **Measurement of ECLs**

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

#### **Credit-impaired financial assets**

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

#### **Write-offs**

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

All the trade receivables are all from Huawei UK, who has sufficient financial resources to satisfy payment obligations on or before the invoice due dates. ECLs related to trade receivables are not material, and that there are no "credit-impaired" financial assets.

#### **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 5 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 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.

#### **Intangible assets**

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

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives, on the following basis: Software: over a period of 3 years.

**Cyber Security Evaluations Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

**Impairment of non-financial assets, excluding deferred tax**

The carrying amounts of the Company's non-financial assets, other than deferred tax are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**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.

Due to company's business of ensuring the security of UK telecom infrastructure, we considered there are not any critical accounting estimates and judgements to disclose.

**4 Turnover**

The revenue in the value of £8,117,120 (2020: £3,795,873) is obtained from rendering services to Huawei UK.

At reporting date trade receivables balance was £1,969,792 (2020: £1,331,072). There were no contract assets or contract liabilities at year end.

**5. Profit for the year**

Profit for the period has been arrived at after charging:	<b>2021</b>	<b>2020</b>
	<b>GBP</b>	<b>GBP</b>
Net foreign exchange (gains)/losses	(633)	19,536
Depreciation for the year	1,968,432	103,760
Staff costs (see note 7)	3,850,756	971,814
	<u>          </u>	<u>          </u>

**Cyber Security Evaluations Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

**6. Auditor's remuneration**

Fees payable to KPMG LLP and its associates for the audit of the Company's annual accounts were £58,622 (£42,000 in 2020).

**7. Staff costs**

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

	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>
Services	39	39

Their aggregate remuneration comprised:

	<b>2021</b>	<b>2020</b>
	<b>GBP</b>	<b>GBP</b>
Wages and salaries	3,279,751	841,407
Social security costs	394,034	105,923
Defined contribution pension costs	176,971	24,484
	<b>3,850,756</b>	<b>971,814</b>

**8. Directors' remuneration**

The Company paid £80,000 (£13,333 in 2020) as remuneration to its external director. All other directors receive no remuneration from the Company for services rendered.

**9. Tax**

	<b>2021</b>	<b>2020</b>
	<b>GBP</b>	<b>GBP</b>
Current tax:		
UK corporation tax on profits for the period	(116,163)	342,356
Adjustments in respect of prior year:		
UK corporation tax	(16,531)	-
<b>Total current tax</b>	<b>(132,694)</b>	<b>342,356</b>

**Cyber Security Evaluations Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

**Tax (continued)**

Deferred tax (note 14):

Origination and reversal of timing differences	91,048	(236,778)
Adjustment in respect of prior years	-	-
Impact of change in tax rate	(26,845)	-
<b>Total deferred tax</b>	<b>64,203</b>	<b>(236,778)</b>
<b>Total tax</b>	<b>(68,491)</b>	<b>105,578</b>

Corporation tax is calculated at 19% (19% in 2020) 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:

	<b>2021</b>	<b>2020</b>
	<b>GBP</b>	<b>GBP</b>
Profit before tax on continuing operations	381,933	159,532
Tax at the UK corporation tax rate of 19%	72,567	30,311
Adjustment to tax charge in respect of prior periods	(16,531)	-
Temporary differences for which no deferred tax was recognised	(31,324)	75,267
Effect of rate change	(26,845)	-
Super deduction benefits	(66,358)	-
<b>Total tax charge</b>	<b>(68,491)</b>	<b>105,578</b>

In March 2021 the UK Government announced an increase in the main rate of corporation tax from the current rate of 19% to 25% with effect from 1 April 2023. This increase in the corporation tax rate was included in the Finance Act 2021. As we expect a proportion of the deferred tax asset to unwind at the current rate of 19% and the remainder to unwind at 25%, a hybrid rate of 22.5% was applied when determining the value of the deferred tax asset.

**10. Tangible fixed assets**

	<b>Fixtures and fittings</b>	<b>Electronic</b>	<b>Others</b>	<b>Total</b>
	<b>GBP</b>	<b>equipment</b>	<b>GBP</b>	<b>GBP</b>
		<b>GBP</b>		
<b>Cost</b>				
At 1 January 2021	477,460	924,597	7,201	1,409,258
Additions	-	2,621,791	85,536	2,707,327
At 31 December 2021	477,460	3,546,388	92,737	4,116,585
<b>Accumulated depreciation</b>				
At 1 January 2021	14,921	41,522	138	56,581
Charge for the year	179,047	1,060,695	1,653	1,241,395
At 31 December 2021	193,968	1,102,217	1,791	1,297,976

**Cyber Security Evaluations Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

**Tangible fixed assets (continued)**

<b>Carrying amount</b>				
At 31 December 2020	462,539	883,075	7,063	1,352,677
At 31 December 2021	<u>283,492</u>	<u>2,444,171</u>	<u>90,946</u>	<u>2,818,609</u>

**11. Intangible assets**

	<b>Software GBP</b>
<b>Cost</b>	
At 1 January 2021	1,698,479
Additions	<u>707,044</u>
At 31 December 2021	<u>2,405,523</u>
<b>Accumulated amortisation</b>	
At 1 January 2021	47,180
Charge for the year	<u>727,037</u>
At 31 December 2021	<u>774,217</u>
<b>Carrying amount</b>	
At 31 December 2020	1,651,299
At 31 December 2021	<u>1,631,306</u>

**12. Debtors due within one year**

	<b>2021</b>	<b>2020</b>
	<b>GBP</b>	<b>GBP</b>
Amounts owed by group undertakings	1,969,792	1,331,072
VAT recoverable		27,647
CIT recoverable	116,163	
Deferred tax assets (note 14)	172,575	236,778
Prepayments	<u>96,053</u>	<u>2,529,010</u>
	<u>2,354,583</u>	<u>4,124,507</u>



**Cyber Security Evaluations Limited**  
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**13. Creditors falling due within one year**

	<b>2021</b>	<b>2020</b>
	<b>GBP</b>	<b>GBP</b>
Trade creditors	43,531	30,549
Corporation tax	-	277,356
Social security and other taxes	267,082	-
Other creditors	9,298	-
Accruals	661,837	491,301
	<u>981,748</u>	<u>799,206</u>

**14. 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.

General tax rate for deferred tax calculation is 22.5%.

	<b>Decelerated Capital Allowances GBP</b>
<b>Deferred tax assets</b>	
At 1 January 2020	-
Credit to profit or loss	236,778
Credit to other comprehensive income	-
	<u>236,778</u>
At 1 January 2021	236,778
Credit to profit or loss	(64,203)
At 31 December 2021	<u>172,575</u>

Deferred tax assets in the amount of £674,675 (£-31,324 is due to 2021, rest is for 2020) (2020: £75,267) were not recognised in relation to certain deductible temporary differences related to fixed assets in accordance with the accounting policy set out in note 2. Gross temporarily difference for unrecognised deferred tax assets amounts to: £2,998,556 (£396,143 in 2020).

**15. Share capital**

	<b>2021</b>	<b>2020</b>
	<b>GBP</b>	<b>GBP</b>
Issued and fully paid:		
7,000,000 ordinary shares of £1 each	<u>7,000,000</u>	<u>7,000,000</u>

**Cyber Security Evaluations Limited**  
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**16. Retirement benefit schemes**

The Company participates in a defined contribution retirement benefit scheme for all qualifying employees. The total cost charged to income of £176,971 (2020: £24,484) 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.

**17. Parent and ultimate controlling party**

The Company's ultimate parent company and ultimate controlling party is Huawei Investment & 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 Investment & Holding Co., Ltd, whose consolidated accounts are available to the public and can be obtained from <https://www.huawei.com/en/annual-report>. 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](http://www.kvk.nl)