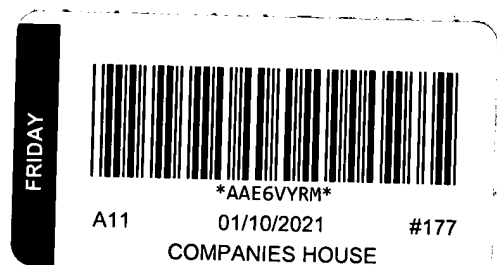


**Company Registration No. 12396621**

**Cyber Security Evaluations Limited**

**Annual Report and Financial Statements**

**For the period from 10 January 2020 (the date  
of incorporation) to 31 December 2020**



Cyber Security Evaluations Limited

**Annual report for the period from 10 January 2020 to 31 December 2020**

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# **Cyber Security Evaluations Limited**

## **Annual report for the year ended 31 December 2020**

### **Directors**

Sir Andrew Thomas Cahn  
(Appointed 1 November 2020)  
Jiangang Zhang  
(Appointed 10 January 2020)  
Xiaowen Ye (Appointed 10  
January 2020)  
Jian Li (Appointed 10 January  
2020, resigned 1 November 2020)

### **Registered Office**

Endeavour House Unit  
3 Banbury Office Village  
Norall 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 period from 10 January to 31 December 2020

### 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

Cyber Security Evaluations Limited ("The Company"), company number 12396621, was incorporated on 10 January 2020 with initial share capital of £7,000,000. Significant milestones in the period were:

January 2020:	The company was incorporated.
October 2020:	The first written resolutions in lieu of meeting of the board of directors was signed.
November 2020:	Certain Cyber Security Evaluations Center employees, and the business carried out by them, were transferred from Huawei Technologies (UK) Co., Ltd. The company commenced operations.

The principal activity of the company is to provide cyber security evaluation services in relation to the involvement of Huawei in parts of the UK's critical national infrastructure. The scope of the business of the company is exclusively for the operation of the cyber security evaluation centre, which provides security evaluation for the range of Huawei products used in the UK market, including Radio Access Network, Mobile Core, Optical Transmission, Fixed Access, IMS (IP Multimedia subsystem) and customer premises equipment.

The performance for the period shows a profit for the financial period of £53,954, on revenue of £3,795,873 and reflect the main activities in the period.

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

	<b>2020 *</b> <b>GBP</b>
Turnover	<b>3,795,873</b>
Gross profit	<b>180,756</b>
Operating profit	<b>159,532</b>
Profit after tax	<b>53,954</b>

\* The numbers are for the two-month period from 1 November 2020 to 31 December 2020 during which the company operated its business on a standalone basis.

At the period end the fixed assets were £3,003,976 including the existing fixed assets transferred from Huawei Technologies (UK) Co., Ltd. and the new fixed assets purchased from suppliers at the initial phase of the company establishment.

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

## Cyber Security Evaluations Limited

### Annual report for the period from 10 January to 31 December 2020

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.

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

Staff retention:	The Company relies upon attracting and retaining employees with the necessary skills, technical expertise and experience to provide the cyber security evaluation services;
Environmental risk:	The outbreak of a novel coronavirus (COVID-19) since March 2020 in the UK. The Company has taken robust measures to ensure the health of its staff participation in the business, and prepared for the impacts on the operation. The COVID-19 epidemic will not have a substantial impact on the Company's ability to continue as a going concern.
Brexit Risks	On 23 June 2016, UK voted to leave the European Union ("Brexit"). Brexit completed on 31 January 2020, however new rules did not come in to force until January 1st 2021. The Company will monitor compliance with all applicable new regulations and obligations and will manage any associated changes and risks. Currency risk remains limited as the majority of customer and supplier contracts utilize GBP.

#### Section 172 Statement

The Company is run for the benefit of its sole shareholder, Huawei Technologies (Netherlands) B.V., but the Company recognizes that the long-term success of its business is dependent on maintaining relationships with its other stakeholders and on the external impact of the Company's activities. The Company's other stakeholders include its employees, its suppliers, other members of the Huawei Group (Huawei Investment & Holding Co., Ltd. and all its affiliates) and the UK government; the Company has no external customers.

The Company proactively engages with employees through staff all hands meeting every month. This way employees' opinions and voices can be heard and the Company's culture can be understood and followed efficiently. Constructive engagement with suppliers sets fair expectations on delivery and safety performance. The Company pays attention to the timeliness of payments to suppliers and carries out monthly reviews and monthly cash plan on payment statistics.

In addition, the Company considers the interests of other members of the Huawei Group and the external impact of its operations when it makes decisions and carries out its activities. The Company has been establishing and maintaining excellent relationships with the UK government as the Company is dedicated to fulfil the ultimate purpose of ensuring the security of UK telecom infrastructure.

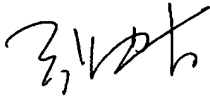
## **Cyber Security Evaluations Limited**

### **Annual report for the period from 10 January to 31 December 2020**

#### **Future prospects**

The directors intend to develop the activities of the company progressively and believe the company is well positioned to fulfil its objectives.

On behalf of the board

A handwritten signature in black ink, appearing to be 'Jiangang Zhang', written in a cursive style.

Jiangang Zhang

Director

# **Cyber Security Evaluations Limited**

## **Annual report for the period from 10 January to 31 December 2020**

### **Directors' report**

The directors present their directors' report and financial statements for the period from incorporation (10 January 2020) to 31 December 2020.

#### **Dividends**

The directors do not propose to pay a dividend.

#### **Going concern**

The Company has continued to provide cyber security evaluation, making an operating profit in 2020 and has net current assets, net assets and cash at year end. To fulfil the ultimate purpose of ensuring the security of UK telecom infrastructure, the directors believe that business will continue and have stable profits.

The Company's management has prepared cash flow forecasts for the period ending on 31 March 2022, based on the 2021 business plan and the cyber security evaluation service agreement signed with inter-group company with effective date from June 2020. The Company expects to have sufficient cash resources available to continue as a going concern for a period of at least 12 months from the date the financial statements are signed.

#### **Political donations**

The Company made no political donations during the period.

#### **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 (Appointed 1 November 2020)

Jiangang Zhang (Appointed 10 January 2020)

Xiaowen Ye (Appointed 10 January 2020)

Jian Li (Appointed 10 January 2020, resigned 1 November 2020)

#### **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.

## **Cyber Security Evaluations Limited**

### **Annual report for the period from 10 January to 31 December 2020**

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.

#### **Auditor**

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

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



Jiangang Zhang  
Director  
Endeavour House Unit  
3 Banbury Office Village  
Norfolk Way, Banbury  
Oxfordshire, UK  
OX16 2SB



**Cyber Security Evaluations Limited**  
**Huawei Technologies (UK) Co. Limited**

**Annual report for the period from 10 January to 31 December 2020**

**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. 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 period ended 31 December 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 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 period 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.

### **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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or a ability to continue operations over 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.

### **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, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, 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.

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 to provide services to other Huawei Group companies which includes simple revenue transactions.

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 some 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.

#### *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.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies 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.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

#### *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 period 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[.]/[; or

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.

A handwritten signature in black ink, appearing to read 'K Williams', with a long horizontal flourish extending to the right.

**Kevin Williams (Senior Statutory Auditor)**

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

*Chartered Accountants*

15 Canada Square

Canary Wharf

London

E14 5GL

**07 April 2021**

**Cyber Security Evaluations Limited**  
**Profit and Loss account and Other Comprehensive Income**  
**For the period from 10 January 2020 to 31 December 2020**

	Notes	2020* GBP
Turnover	3	3,795,873
Cost of sales		(3,615,117)
<b>Gross profit</b>		<b>180,756</b>
Administrative expenses		(21,224)
<b>Operating profit</b>		<b>159,532</b>
Tax on profit	8	(105,578)
<b>Profit after tax</b>	4	<b>53,954</b>
<b>Other comprehensive income for the year</b>		<b>-</b>
<b>Total comprehensive income</b>		<b>53,954</b>

\*The account are for the period from the incorporation date to 31 December 2020

All amounts are derived from continuing operations.

The notes on page 15 to 23 form an integral part of these financial statements.

**Cyber Security Evaluations Limited**  
**Balance sheet**  
**As at 31 December 2020**

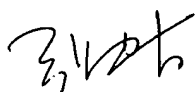
	Notes	2020* GBP
<b>Fixed assets</b>		
Intangible assets	10	1,651,299
Tangible assets	9	1,352,677
		<u>3,003,976</u>
<b>Current assets</b>		
Debtors due within one year	11	4,124,507
Cash at bank and in hand		724,677
		<u>4,849,184</u>
Creditors: Amounts falling due within one year	12	(799,206)
<b>Net current assets</b>		<u>4,049,978</u>
<b>Total assets less current liabilities</b>		<u>7,053,954</u>
<b>Capital and reserves</b>		
Called up share capital	14	7,000,000
Profit and loss account		53,954
<b>Total shareholders' funds</b>		<u><u>7,053,954</u></u>

\*The accounts are for the period from the incorporation date to 31 December 2020

The notes on page 15 to 23 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 7<sup>th</sup> April 2021.

Signed on behalf of the Board of Directors



Jiangang Zhang  
Director

**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><u>7,000,000</u></b>	<b><u>53,954</u></b>	<b><u>7,053,954</u></b>

The notes on page 15 to 23 form an integral part of these financial statements.



# **Cyber Security Evaluations Limited**

## **Notes to the financial statements**

### **Period from 10 January to 31 December 2020**

#### **1. General information**

The Company is incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 4.

These presentation currency of these financial statements is sterling pound.

The company's ultimate parent undertaking is 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 financial statements are the first financial statements of the company and cover the period from date of incorporation on 10 January 2020 to 31 December 2020.

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 ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where a 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 certain assets, presentation of a cash-flow statement, standards not yet effective, 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 financial statements have been prepared on the going concern basis. No material uncertainty exists which may cast doubt on the Company's ability to continue as a going concern.

##### **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.

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 and is after deduction of any trade discounts, sales rebates or incentives.

Revenue is recognized as performance obligations is satisfied to reflect the transfer of promised services to customers.

**Cyber Security Evaluations Limited**  
**Notes to the financial statements**  
**Period from 10 January to 31 December 2020**

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

**2. Significant accounting policies (continued)**

**Expenses**

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.

**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 estimated benefit is recognised as an expense over the service period.

**Taxation**

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 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. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

**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).

# **Cyber Security Evaluations Limited**

## **Notes to the financial statements**

### **Period from 10 January to 31 December 2020**

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.

#### **2. Significant accounting policies (continued)**

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

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

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, with the exception of trade receivables without a significant financing component, which are measured at transaction price, determined in accordance with the entity's accounting policies for revenue. Subsequently, measurement depends on the financial assets/liabilities classification.

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, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

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

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

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

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

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

**2. Significant accounting policies (continued)**

**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 a mortised cost and debt securities at FVOCI 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.

**Tangible fixed assets**

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

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

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

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrap 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.

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**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.

**2. Significant accounting policies (continued)**

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 Turnover**

The revenue in the value of £3,795,873 is obtained from rendering services to other group company located in UK.

At reporting date trade receivables balance was £1,331,072. There were no contract assets or contract liabilities at year end.

**4. Profit for the year**

Profit for the period has been arrived at after charging:

	<b>2020 GBP</b>
Net foreign exchange losses (gains)	19,536
Depreciation of the year	103,760
Staff costs (see note 7)	971,814
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**5. Auditor's remuneration**

Fees payable to KPMG LLP and its associates for the audit of the Company's annual accounts were £42,000.

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**6. Staff costs**

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

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

Their aggregate remuneration comprised:

	<b>2020</b>
	<b>GBP</b>
Wages and salaries	841,407
Social security costs	105,923
Other pension costs	24,484
	<u>          </u>
	971,814
	<u>          </u>

**7. Directors' remuneration**

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

**8. Tax**

	<b>2020</b>
	<b>GBP</b>
Current tax:	
UK corporation tax on profits for the period	342,356
Deferred tax (note 14):	
Origination and reversal of timing differences	(236,778)
	<u>          </u>
Total	105,578
	<u>          </u>

Corporation tax is calculated at 19% 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:

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	<b>2020 GBP</b>
Profit before tax on continuing operations	159,532
Tax at the UK corporation tax rate of 19%	30,311
Tax effect of:	
Temporary differences for which no deferred tax was recognised	75,267
Total tax charge	<u>105,578</u>

**9. Tangible fixed assets**

	<b>Fixtures and fittings GBP</b>	<b>Electronic equipment GBP</b>	<b>Others GBP</b>	<b>Total GBP</b>
<b>Cost</b>				
At 10 January 2020	-	-	-	-
Additions	477,460	924,597	7,201	1,409,258
At 31 December 2020	<u>477,460</u>	<u>924,597</u>	<u>7,200</u>	<u>1,409,258</u>
<b>Accumulated depreciation and impairment</b>				
At 10 January 2020	-	-	-	-
Charge for the year	14,921	41,522	138	56,581
At 31 December 2020	<u>14,921</u>	<u>41,522</u>	<u>138</u>	<u>56,581</u>
<b>Carrying amount</b>				
At 31 December 2020	<u>462,539</u>	<u>883,075</u>	<u>7,063</u>	<u>1,352,677</u>

At reporting date the Company has made a prepayment for aquisition of property plant and equipment in the value of £1,307,519.

**10. Intangible assets**

	<b>Software GBP</b>
<b>Cost</b>	
At 10 January 2020	-
Additions	1,698,479
At 31 December 2020	<u>1,698,479</u>

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**Accumulated amortisation and impairment**

At 10 January 2020	-
Charge for the year	47,180
	<hr/>
At 31 December 2020	47,180
	<hr/>
<b>Carrying amount</b>	
At 31 December 2020	1,651,299
	<hr/> <hr/>

At reporting date the Company has made a prepayment for a acquisition of intangible assets in the value of £440,453.

**11. Debtors**

	<b>2020</b>
	<b>GBP</b>
Amounts owed by group undertakings	1,331,072
VAT recoverable	27,647
Deferred tax assets (note 14)	236,778
Prepayments	2,529,010
	<hr/>
	4,124,507
	<hr/> <hr/>

**12. Creditors**

	<b>2020</b>
	<b>GBP</b>
Trade creditors	30,549
Corporation tax	277,356
Accruals	491,301
	<hr/>
	799,206
	<hr/> <hr/>



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**13. 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 19%.

	<b>Accelerated Capital Allowances GBP</b>
<b>Deferred tax assets</b>	
At 10 January 2020	-
Credit to profit or loss	236,778
Credit to other comprehensive income	-
	<hr/>
At 31 December 2020	<u>236,778</u>

Deferred tax assets in the amount of £ 75,267 were not recognised in relation to certain deductible temporary differences in accordance with the accounting policy set out in note 2.

**14. Share capital**

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

**15. Retirement benefit schemes**

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total cost charged to income of £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.

**16. Parent and ultimate controlling party**

In the opinion of the directors, 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.. The parent undertaking of the smallest such group is Hua wei 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)