Registered number: 02563193

TELEFÓNICA TECH UK LIMITED (PREVIOUSLY CANCOM UK LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

TELEFÓNICA TECH UK LIMITED (PREVIOUSLY CANCOM UK LIMITED)

COMPANY INFORMATION

Directors	D C Paetz M D Gorton
Registered number	02563193
Registered office	East House Newpound Common Wisborough Green West Sussex RH14 0AZ
Independent auditors	PricewaterhouseCoopers LLP 40 Clarendon Road Watford WD17 1JJ

TELEFÓNICA TECH UK LIMITED (PREVIOUSLY CANCOM UK LIMITED)

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The company delivers technology solutions to business. It does this through a combination of on-premise solutions; consultancy, project and managed services. We help our clients digitally and securely transform their business. A key enabler of a digital transformation is cloud computing. We help our customers exploit the full potential of cloud computing, whether that be private or public cloud.

Business review

Despite the continuing impacts of the COVID-19 pandemic 2021 was a very successful year for Telefónica Tech UK&I Group to which Telefónica Tech UK Limited (previously Cancom UK Limited) is a part of. Due to an internal reorganisation within Telefónica Tech UK&I Group, the current year's Administrative Expenses are not comparable to the prior year, and although GM% fell by 1.9% this was entirely expected due to the reorganisation. Our managed services business contributed significantly to our growth with revenues increasing 62%, fuelled by strong growth in our public cloud support business.

Having a broad portfolio of products and services has given us the opportunity to cross sell across our portfolio. Specifically, our large hardware customer base continues to offer the opportunity of cross selling a range of service offerings. Importantly, being a part of the Telefónica family is now enabling us to confidently sell our capabilities into bigger customers.

Alongside both public and private cloud computing capabilities and since the acquisition of the UK&I Group by Telefónica Tech in August 2021 the business has focussed on leveraging the strong Telefónica Tech cyber security portfolio and establishing strong commercial relationships with the UK based Virgin Media O2 (VMO2) business. These two strategic focus areas will help drive considerable growth in 2022 onwards.

With Telefónica behind us and strategic partners like VMO2 the Telefónica Tech UK&I Group is strongly positioned financially. We are not dependent on any single customer and are not overexposed to any one vertical market or supplier.

Despite the continuing and unprecedented events of the last twelve months of the COVID-19 pandemic on the world economy, the company is well placed to continue to grow on the foundations set in 2021.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Principal risks and uncertainties

The directors are mindful of the risks the business faces. In order to manage these risks, the directors constantly monitor developments in the fast-moving information technology sector and continuously develop new service offerings it can provide its customers, thereby maintaining the Company's competitive advantage.

Operational risk
The Company seeks to mitigate operation risk by following ISO-accredited processes and implementing internal controls, together with managed reporting systems and appropriate insurance cover.

Currency risk
The Company's main activities are conducted in the UK, in sterling. A small proportion of activites are in the the Republic of Ireland, with both purchases and sales being transacted in Euro to minimise currency risk.

Liquidity and cash flow risk
The operating activities of the Company are strongly cash generative and the Company has a free cash balance. The Board regularly reviews the cash position and cash flow forecast to ensure sufficient funds are avaliable to meet all financial commitments.

Credit risk
The Company has no significant concentrations of credit risk. Potential customers are subject to appropriate verification procedures in advance of credit being granted and credit limites are regularly monitored.

Key performance indicators

The Company monitors a number of KPIs which are regularly reviewed by the management teams and the Board. The main KPIs are to increase recurring revenue, continue to acquire new customers and continue to expand geographically in the UK market.

Future developments and performance

The Company continues to invest significantly in the future of the business with capital expenditure of £120,150 *(2020 - 3,489,590)*, a significant proportion of which is to deliver contracted managed services.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Section 172 (1) statement

As the Directors of Telefónica Tech UK&I Limited, we have a legal responsibility under section 172 of the Companies Act 2006 to act in the way we consider, in good faith, would be most likely to promote the company's success for the benefit of its members as a whole, and to have regard to the long-term effect of our decisions on the company and its stakeholders and in doing so must have regard to the following:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

Our key stakeholders, and the ways in which we engage with them, are as follows:

Employees

Our business success is strongly linked to the skills and qualifications of its management and employees and this is reflected in the high levels of service that we provide.

To ensure that we maintain the high standards retention and recruitment of our employees is critical and we therefore provide appropriate levels of training to support their development as well as ensuring that their safety and well being is of primary importance.

Regular updates are provided to employees on all aspects of company business including financial performance, key deal wins and employee events and opportunities. Employee opinions and suggestions are encouraged via an open forum at these updates and suggestions boxes are placed in each of the company's offices to help facilitate this. The Board welcomes ideas and comments from all employees and operates an informal Open Door policy.

Clients and Suppliers

We are aware that our clients and suppliers are an important part of our success. We have strong relationships with our customers and are in constant discussions with our clients to ensure that we understand their evolving needs and adapt our services accordingly. We have strong supplier partnerships which ensures that we are in constant communication and they are aware of our standards and requirements for the purposes of services our client.

Our conduct guarantees that we treat all suppliers and customers fairly and we ensure all performance obligations are met, if not exceeded. All suppliers are paid to terms with any queries being dealt with as a matter of urgency to ensure the supply chain continues uninterrupted. All customers have a dedicated account manager as their first point of contact with the company and we strive to resolve all queries in a timely manner.

The company has adopted a code of conduct which defines how it deals with the Company's various stakeholder groups including suppliers and clients and is readily available to all employees.

This report was approved by the board on 11 April 2023 and signed on its behalf.

M. Gorton

M D Gorton
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair 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 audited financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, compromising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the audited financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the company's financial statements published on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Results and dividends

The loss for the year, after taxation, amounted to £4,114,883 *(2020 - profit £405,065)*.

The directors did not recommend the payment of a final dividend.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Directors

The directors who served during the year were:

J R Fernandez (appointed 4 August 2021, resigned 28 February 2022)
M H Hess (resigned 14 December 2022)
D C Paetz (appointed 4 August 2021)
S Domes (resigned 4 August 2021)
T Stark (resigned 4 August 2021)

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company's greenhouse gas emissions and energy consumption are as follows:

	2021	*2020*
Emissions resulting from activities for which the Company is responsible involving the combustion of gas or consumption of fuel for the purposes of transport (in tonnes of CO_2 equivalent)	**44**	*35*
Emissions resulting from the purchase of the electricity by the Company for its own use, including the purposes of transport (in tonnes of CO_2 equivalent)	**39**	*55*
Energy consumed from activities for which the Company is responsible involving the combustion of gas, or the consumption of fuel for the purposes of transport, and the annual quantity of energy consumed resulting from the purchase of electricity by the Company for its own use, including for the purposes of transport, in kWh	**268,643**	*334,360*

The methodology used in the calculation of disclosures is the ESOS methodology (as specified in Complying with the Energy Savings Opportunity Scheme version 6, published by the Environment Agency, 21.01.21) used in conjunction with Government GHG reporting conversion factors.

For carbon only related matters, the SECR methodology as specified in "Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting and greenhouse gas reporting" was used in conjunction with Government GHG reporting conversion factors.

We are committed to responsible carbon management and will practise energy efficiency throughout our organisation, wherever it's cost-effective. We recognise that climate change is one of the most serious environmental challenges currently threatening the global community and we understand we have a role to play in reducing greenhouse gas emissions.

We have implemented the policies below for the purpose of increasing the business's energy efficiency in the relevant financial year.

- Moved to remote home working due to Covid. We will review it when the situation permits.
- Implemented and encouraged the use of video conferencing.

Our carbon intensity ratio is 2.16 and is based on tonnes of CO_2e per sqft of the total estate totalling 38,352sqft.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

On 30 April 2023, all assets, liabilities, and trade of Telefónica Tech UK Managed Services Limited, a Company within same the corporate group which has the same ultimate UK Parent Undertaking, are due to be transferred to the Company via a transfer of going concern.

Change of name

With effect from 4 October 2021, the name of the Company was changed from CANCOM UK limited to Telefónica Tech UK Limited.

This report was approved by the board on 11 April 2023 and signed on its behalf.

M. Gorton

M D Gorton
Director

Independent auditors' report to the members of Telefonica Tech UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Telefonica Tech UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Stataments (the "Annual Report"), which comprise: Balance Sheet as at 31 December 2021; Statement of Income and Retained Earnings for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Independent auditors' report to the members of Telefonica Tech UK Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Independent auditors' report to the members of Telefonica Tech UK Limited (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006 and UK tax regulatory compliance, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate or fictitious journal entries to manipulate the financial performance or financial position of the company. Audit procedures performed by the engagement team included:

- Discussions with management, including considerations of known or suspected instances on non-compliance with laws and regulations and fraud;
- Challenging assumptions and estimates made by management in any judgmental area;
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Telefonica Tech UK Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

H Verwey

Hannes Verwey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
11 April 2023

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	*Restated* *2020* *£*
Turnover	4	**76,482,167**	*81,865,112*
Cost of sales		**(57,115,325)**	*(60,750,444)*
Gross profit		**19,366,842**	*21,114,668*
Administrative expenses		**(23,517,296)**	*(22,397,797)*
Other operating income		-	*1,500,000*
Operating (loss)/profit	5	**(4,150,454)**	*216,871*
Interest receivable and similar income	9	-	*163,185*
Interest payable and similar expenses	10	**(9,673)**	-
(Loss)/profit before tax		**(4,160,127)**	*380,056*
Tax on (loss)/profit	11	**45,244**	*25,009*
(Loss)/profit for the financial year after tax		**(4,114,883)**	*405,065*
Retained earnings at the beginning of the year		**5,876,983**	*8,471,918*
(Loss)/profit for the financial year		**(4,114,883)**	*405,065*
Dividends declared and paid		-	*(3,000,000)*
Retained earnings at the end of the year		**1,762,100**	*5,876,983*

The notes on pages 13 to 29 form part of these financial statements.

During the reporting period, material errors impacting the comparative figures were noted and as a result the comparative figures have been restated. For further information see note 27.

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note		2021 £		2020 £
Fixed assets					
Tangible assets	13		**3,299,622**		*4,049,736*
Investments	14		**-**		-
			3,299,622		*4,049,736*
Current assets					
Stocks	15	**987,374**		*344,344*	
Debtors: amounts falling due within one year	16	**19,436,867**		*24,335,687*	
Cash at bank and in hand		**8,136,112**		*7,111,627*	
		28,560,353		*31,791,658*	
Creditors: amounts falling due within one year	17	**(30,062,775)**		*(29,929,311)*	
Net current (liabilities)/assets			**(1,502,422)**		*1,862,347*
Total assets less current liabilities			**1,797,200**		*5,912,083*
Net assets			**1,797,200**		*5,912,083*
Capital and reserves					
Called up share capital	19		**100**		*100*
Capital redemption reserve	20		**35,000**		*35,000*
Profit and loss account	20		**1,762,100**		*5,876,983*
Total equity			**1,797,200**		*5,912,083*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
11 April 2023

M. Gorton

M D Gorton
Director

The notes on pages 13 to 29 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

Telefónica Tech UK Limited is a private company limited by shares, incorporated in England and Wales. Its registered office is East House, Newpound Common, Wisborough Green, West Sussex, United Kingdom, RH14 0AZ.

The principal activity of the Company is that of delivering technology solutions to businesses.

2. Accounting policies

2.1 Basis of preparation of financial statements

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Telefónica S.A. as at 31 December 2021 and these financial statements may be obtained from www.telefonica.com.

2.3 Going concern

The Company has received a letter of parental support from Telefónica S.A., the ultimate parent company, which conforms that Telefónica S.A., will continue to provide financial support to the Company for a period of twelve months from the date of signing of the Auditors' Report in the financial statements. Accordingly, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of On-Premises Solutions

Revenue from a contract to provide on-premises solutions is recognised upon delivery of the relevant goods, which is the point at which the contractual obligations are deemed to have been performed.

Rendering of consultancy

Revenue from a contract to provide consultancy is recognised upon delivery of the relevant resource, which is the point at which the contractual obligations are deemed to have been performed.

Rendering of Cloud and Managed Services

Revenue from contracts to provide cloud and managed services is recognised in the period in which the services are provided.

Rendering of personnel services

Revenue from contracts to provide personnel services is recognised in the period in which the services are provided.

Rendering of maintenance services

The company acts as an agent and not principal in delivering maintenance services. Revenue from material contracts to provide maintenance services is recognised on a net basis, based on the amount of the fee or commission it receives in exchange for instructing the other party to provide its service.

2. Accounting policies (continued)

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided on the following annual bases:

Freehold property	- 23/48 years straight line
Leasehold property	- Over the term of the lease
Motor vehicles	- 25% straight line
Fixtures and fittings	- 25% straight line
Computer equipment	- 25/50% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Income and Retained Earnings.

2.6 Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Work in progress is stated at the lower of cost and net realisable value. Work in progress relates to the purchase cost of goods incurred but related to project services which have not yet been invoiced to the customer. Accordingly work in progress is released on delivery of the goods and recognition of revenue.

2.7 Valuation of investments

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Income and Retained Earnings for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2. Accounting policies (continued)

2.8 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

2.10 Creditors

Short-term creditors are measured at the transaction price. Other financial liablilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of income and retained earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of income and retained earnings within 'administrative expenses'.

2.12 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2. Accounting policies (continued)

2.14 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Income and Retained Earnings so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.15 Interest income

Interest income is recognised in the Statement of Income and Retained Earnings using the effective interest method.

2.16 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.17 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2. Accounting policies (continued)

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.20 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Significant judgments in applying the entity's accounting policies

Application of the entity's accounting policy on revenue recognition, as described above, sometimes involves the use of judgment. In all cases the key revenue recognition criteria outlined in paragraph 2.3 above are used as a benchmark to determine the appropriate treatment for revenue in the financial statements.

b) Critical accounting estimates and assumptions

There are no critical accounting estimates and assumptions made in preparing these financial statements.

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 £	*Restated* *2020* *£*
Hardware sales	**26,362,663**	*21,870,163*
Rendering of services	**50,119,504**	*59,994,949*
	76,482,167	*81,865,112*

Analysis of turnover by country of destination:

	2021 £	*Restated* *2020* *£*
United Kingdom	**76,482,167**	*73,984,835*
Rest of the world	**-**	*7,880,277*
	76,482,167	*81,865,112*

During the reporting period, material errors impacting comparative figures were noted and as a result the comparative figures have been restated. For further information see note 27.

5. Operating (loss)/profit

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

	2021 £	*2020* *£*
Depreciation of tangible fixed assets	210,317	*144,829*
Exchange differences	(178,049)	*69,258*
Other operating lease rentals	-	*546,805*
Management fee charges	-	*992,373*
Management fee income	-	*(1,500,000)*

6. Auditors' remuneration

	2021 £	*2020* *£*
Fees payable to the Company's auditor and their associate for the audit of the Company's annual financial statements	145,000	*217,277*

7. Employees

	2021 £	*2020* *£*
Wages and salaries	22,682,446	*17,122,969*
Social security costs	2,797,525	*2,066,430*
Other pension costs	473,638	*396,199*
	25,953,609	*19,585,598*

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	*2020* *No.*
Directors	3	*3*
Administration	262	*223*
	265	*226*

8. Directors' remuneration

	2021 £	*2020 £*
Directors' emoluments	**1,756,310**	*250,135*

The highest paid director received remuneration of £1,756,310 *(2020 - £250,135)*.

9. Interest receivable and similar income

	2021 £	*2020 £*
Other interest receivable	-	*163,185*

10. Interest payable and similar expenses

	2021 £	*2020 £*
Bank interest payable	**9,673**	-

11. Tax on (loss)/profit

	2021 £	*2020 £*
Corporation tax		
Current tax on profits for the year	-	*75,837*
Adjustments in respect of previous periods	**(38,785)**	*(40,189)*
Total current tax	**(38,785)**	*35,648*
Deferred tax		
Origination and reversal of timing differences	**(6,459)**	*(60,657)*
Total deferred tax	**(6,459)**	*(60,657)*
Taxation on (loss)/profit on ordinary activities	**(45,244)**	*(25,009)*

11. Tax on (loss)/profit (continued)

Factors affecting tax charge for the year

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

	2021 £	2020 £
(Loss)/profit on before tax	**(4,160,127)**	*380,056*
(Loss)/profit on multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	**(790,424)**	*72,211*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**-**	*14,240*
Capital allowances for year in excess of depreciation	**13,296**	*-*
Adjustments to tax charge in respect of prior periods	**(38,785)**	*(40,189)*
Adjustments to tax charge in respect of previous periods - deferred tax	**5,931**	*-*
Remeasurement of deferred tax for change in tax rates	**(16,108)**	*-*
Income not taxable for tax purposes	**(187)**	*-*
Deferred tax not previously recognised	**-**	*(51,136)*
Ineligible depreciation	**-**	*(15,864)*
Group relief	**781,033**	*(4,271)*
Total tax credit for the year	**(45,244)**	*(25,009)*

11. Tax on (loss)/profit (continued)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax asset as at 31 December 2020 was calculated at 19% *(2019: 17%)*. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly.

12. Dividends

	2021 £	*2020* *£*
Dividends paid on A Ordinary shares	-	*3,000,000*

13. Tangible assets

	Freehold property £	Leasehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost						
At 1 January 2021	3,399,357	1,234,878	776	294,603	1,411,722	6,341,336
Additions	-	-	-	-	120,150	120,150
At 31 December 2021	3,399,357	1,234,878	776	294,603	1,531,872	6,461,486
Accumulated Depreciation						
At 1 January 2021	39,270	715,614	776	259,806	1,276,134	2,291,600
Charge for the year on owned assets	47,124	63,316	-	15,496	84,381	210,317
Impairment charge	659,947	-	-	-	-	659,947
At 31 December 2021	746,341	778,930	776	275,302	1,360,515	3,161,864
Net book value						
At 31 December 2021	2,653,016	455,948	-	19,301	171,357	3,299,622
At 31 December 2020	*3,360,087*	*519,264*	-	*34,797*	*135,588*	*4,049,736*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14. Fixed investments

	Unlisted investments £
Cost or valuation	
At 1 January 2021	**645,460**
At 31 December 2021	**645,460**
Impairment	
At 1 January 2021	**645,460**
At 31 December 2021	**645,460**
Net book value	
At 31 December 2021	**-**
At 31 December 2020	*-*

15. Stocks

	2021 £	*2020 £*
Work in progress (goods to be sold)	**987,374**	*344,344*

Cost of stocks recognised as an expense during the year amounted to £64,268,492 *(2020 - £63,230,559).*

16. Debtors: amounts falling due within one year

	2021 £	*Restated* *2020* *£*
Trade debtors	**12,812,766**	*15,351,395*
Amounts owed by group undertakings	**-**	*2,147,042*
Other debtors	**315,036**	*137,694*
Deferred taxation	**67,116**	*60,657*
Prepayments and accrued income	**6,241,949**	*6,638,899*
	19,436,867	*24,335,687*

Amounts owed by group undertakings are repayable on demand and no interest is charged.

During the reporting period, material errors impacting the comparative figures were noted and as a result the comparative figures have been restated. For further information see note 27.

17. Creditors: Amounts falling due within one year

	2021 £	*2020* *£*
Bank loans and overdrafts	**-**	*2,000,000*
Trade creditors	**11,683,155**	*13,298,224*
Amounts owed to group undertakings	**12,881,428**	*8,130,732*
Corporation tax	**-**	*38,785*
Other taxation and social security	**2,722,893**	*3,733,928*
Other creditors	**206,004**	*80,131*
Accruals and deferred income	**2,569,295**	*2,647,511*
	30,062,775	*29,929,311*

Amounts owed to group undertakings are repayable on demand and no interest is charged.

18. Deferred taxation

	2021 £	2020 £
At beginning of year	**60,657**	*-*
Credited to profit or loss	**6,459**	*60,657*
At end of year	**67,116**	*60,657*

The deferred tax asset is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	**67,116**	*60,657*
	67,116	*60,657*

19. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
100 *(2020 - 100)* Ordinary shares of £1.00 each	**100**	*100*

All shares have equal rights, and there are no restrictions on the distribution of dividends and the repayment of capital.

20. Reserves

Capital redemption reserve

The capital redemption reserve represents share capital redeemed by the shareholders.

Profit and loss account

The profit and loss account represents cumulative profits and losses net of dividends and other adjustments.

21. Financial commitments, guarantees and contingent liabilities

The Company has provided an unlimited inter-company guarantee to fellow group companies.

22. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £473,638 *(2020 - £396,199)*. Contributions totalling £71,637 *(2020 - £57,141)* were payable to the fund at the balance sheet date and are included in creditors.

23. Commitments under operating leases

The Company had no commitments under non-cancellable operating leases at the balance sheet date.

24. Related party transactions

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12 and paragraph 33.1A, from disclosing transactions and balances with its group companies because group financial statements consolidating all group entities are prepared by the ultimate parent undertaking and are available from www.telefonica.

25. Post balance sheet events

On 30 April 2023, all assets, liabilities, and trade of Telefónica Tech UK Managed Services Limited, a Company within same the corporate group which has the same ultimate UK Parent Undertaking, are due to be transferred to the Company via a transfer of going concern.

26. Ultimate and immediate parent undertaking

In the opinion of the directors, at 31 December 2021 the Company's ultimate parent company was Telefónica S.A.. The parent undertaking of the group, which includes the Company and for which group financial statements are prepared, is Telefónica S.A.. Copies of the group financial statements of Telefónica S.A are avaliable from www.telefonica.com. The Company's immediate parent company is Telefónica Tech UK TOG Limited.

27. Prior year adjustment

The following material errors impacting the comparative figures were noted in the current year and as a result the comparative figures were restated. The errors relate to the correction of the classification of transactions and did not have an impact on the statement of changes in equity or opening equity.

Net accounting for license sales

In the prior year sales on the resale of some licenses were accounted for as principal arrangements which is not aligned with the Company's accounting policy. This has resulted in an overstatement of revenue and cost of sales in the comparative figures.

The impact on the comparative figures was a decrease in both Revenue and Cost of Sales of £2,480,115.

Turnover analysis

Turnover, as disclosed in note 4 of these financial statements, were presented as Rendering as Services only in the prior year financial statements. In the current year the comparative figures were restated to split the revenue between Rendering of Services and Hardware Sales.

Accrued income classification

In the prior year accrued income within the Debtors: amounts falling due within one year note was disclosed as Amounts recoverable on long term contracts. The comparative figure was restated to include the balance within Prepayments and accrued income.

The impact on the comparative figures was a decrease in Amounts recoverable on long term contracts and an increase in Prepayments and accrued income of £6,036,379.