Registered number: 02563193

TELEFÓNICA TECH UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

TELEFÓNICA TECH UK LIMITED

COMPANY INFORMATION

Directors	D C Paetz M D Gorton J Wark
Registered number	02563193
Registered office	East House Newpound Common Wisborough Green West Sussex RH14 0AZ
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

TELEFÓNICA TECH UK LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

Introduction

The Company delivers technology solutions to businesses. 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 through private or public cloud.

Business review

On 30 June 2024 Telefónica Tech UK TOG Limited ("TOG") subscribed for 3 ordinary shares in the Company for a consideration of £11,098,736, resulting in the creation of share premium of £11,098,733 in the Company. This was settled through the repayment of an outstanding amount owed to TOG.

On 30 June 2024 TOG distributed its entire share holding in the Company to its immediate parent Telefonica Tech UK Holdings Limited ("TTUKH") and on the same day TTUKH distributed the entire shares in the Company to its immediate parent Telefonica Tech UK and Ireland Limited ("TTUK&I"), both were settled as a dividend in specie. The impact of the above reorganisation is that as at 31 December 2023 and at the date of the approval of these financial statements the immediate parent undertaking of the Company is TTUK&I. At 31 December 2022 the immediate parent undertaking was TOG.

As a result of the business combination and continued improvement Telefónica Tech UK Limited results for 2023 present a positive picture on trading performance with growth across all key financial metrics. The Company showed exceptional growth in Turnover, with a 16.85% increase to £104.0m *(2022 - £89.0m)*. There has also been strong growth in Gross Profit and Gross Profit % year on year, with a 61.3% improvement in absolute Gross Profit to £32.1m *(2022 - £19.9m)* and significant expansion in Gross Profit % by 8.45% to 30.83% *(2022 – 22.38%)*. There has been an uplift in Administrative Expenses by 40.23% to £32.2m *(2022 - £22.9m)* which has been driven both by investment to support the Company growing but also for spend on further transformation projects as the Company continues on its growth journey in 2024 and beyond. It's pleasing to see a reduction in the operating loss in 2023 with an operating loss of £0.2m compared to the prior year of £3m. Returning to an operating profit and increasing operating margins is a key focus area as the company continues its growth journey in 2024.

Following the integration of the Managed Services business Telefonica Tech UK's net assets have now reverted to a positive position of £5.4m from a negative position in the prior year *(2022 - £5.7m)*.

The Company continues to leverage the significant additional capability and breadth offered by the wider UK group, with cross sell opportunities being achieved across Business Applications, Data & AI and Cyber. With the rest of the UK group we have access to the wider Telefonica Tech group, resulting in a strong growth in trading in the coming financial years.

Results and dividends

The loss for the year, after taxation, amounted to £18,201 *(2022 - £3,464,927 loss)*. The net assets position at the balance sheet date was a net asset of £5,377,237 *(2022 - £5,703,298 net liability)*.

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

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.

Financial risk management

Financial 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.

Price risk
The Company views the price risk as minimal due to the nature of the customer and supplier relationships.

Liquidity and cash flow risk
The Board regularly reviews the cash position and cash flow forecast to ensure sufficient funds are available to meet all financial commitments. The company has also received a letter of parental support from Telefónica S.A., the Ultimate Parent Company, that it would provide financial support if required for a period of at least twelve months from the date of approval of these financial statements.

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 limits are regularly monitored. The company has various receivables from other group companies and the directors have assessed that they have comfort in the recoverability of each balance.

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 revenue growth, number of customers and geographical coverage of our customer base.

Future developments

The company continues to leverage the significant additional capability and breadth offered by the wider UK group, with cross sell opportunities being achieved across Business Applications, Data & AI and Cyber. With the rest of the UK group we have access to the wider Telefonica Tech group, resulting in a strong growth in trading in the coming financial years.

Section 172 (1) statement

As the Directors of Telefónica Tech UK 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 of recruitment and levels of retention of our employees it is critical to 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 18 February 2025 and signed on its behalf.

J Wark
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their report and the audited financial statements for the year ended 31 December 2023.

Results and dividends

The results and dividends for the year have been disclosed in the strategic report.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

D C Paetz
J Wark (appointed 8 June 2023)
M D Gorton
C J Trietline (resigned 10 February 2023)

Research and development activities

The company has not undertaken any research and development activities during the year.

Going concern

A back to back letter of support has been received from Telefónica S.A, the Ultimate Parent Company ("the Group"), stating that it will provide continuing financial support as necessary to enable the Company to meet its obligations as and when they fall due for a period of at least 12 months from the date of approval of these financial statements.

In assessing whether to place reliance on this letter of support, the Company Directors have concluded that the risks and uncertainties of the Company are integrated with those of the group and after reviewing the group's financial position, have concluded that the group has adequate resources to provide the support as required for the Company to continue in operational existence for at least 12 months from the date of approval of these financial statements. Accordingly, the directors have a reasonable expectation that the company has adequate resources (including those committed by the Group support letter) to continue in operational existence for at least 12 months from the date of the approval of the financial statements, and thus these financial statements have been prepared on a Going Concern basis.

Business relationships

The directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year. Further detail is outlined in the Section 172 (1) statement in the Strategic Report.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Qualifying third party indemnity provisions

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date and on the date of approval.

Greenhouse gas emissions, energy consumption and energy efficiency action

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

	2023	2022
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 CO2 equivalent)	**57.4**	*51*
Emissions resulting from the purchase of the electricity by the Company for its own use, including the purposes of transport (in tonnes of CO2 equivalent)	**530**	*41*
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	**224,248**	*147,504*

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.

- Encouraged home working and rationalised the utilisation of office space;
- Implemented and encouraged the use of video conferencing.

Our carbon intensity ratio is 14.1 *(2022 - 2.4)* and is based on tonnes of CO2e per sqft of the total estate totalling 54,800sqft *(2022 - 38,352sqft)*. This has increased during the year due to the incorporation of properties from Telefonica Tech UK Managed Services Limited. Please see note 13 for further details.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Directors' responsibilities statement

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare 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 view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the 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 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 also 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.

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.

Matters covered in the Strategic Report

The Company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Company's strategic report information required by Large and Medium-sized Companies (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' report. It has done so in respect of future developments, financial risk management, dividends and engagements with others.

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 18 February 2025 and signed on its behalf by:

J Wark
Director

Independent auditors' report to the members of TELEFÓNICA TECH UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, TELEFÓNICA TECH UK LIMITED's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 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, which comprise: Balance Sheet as at 31 December 2023; the Statement of comprehensive income, the Statement of Changes in Equity 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.

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 2023 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.

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 the Companies Act 2006 and the 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 the posting of inappropriate or fictitious journal entries or management bias in accounting estimates to manipulate the financial performance or financial position of the company. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances or non-compliance with laws and regulations and fraud;
- Challenging assumptions and estimates made by management in areas of judgement;
- 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; and
- Identifying and testing a sample of journal entries throughout the whole year, which met our pre-defined fraud risk criteria

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.

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.

Christopher Cook

Christopher Cook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

18 February 2025

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £	*2022* *£*
Turnover	4	103,998,359	*88,956,865*
Cost of sales		(71,938,780)	*(69,045,265)*
Gross profit		**32,059,579**	*19,911,600*
Administrative expenses		(32,150,176)	*(22,927,224)*
Operating loss	5	**(90,597)**	*(3,015,624)*
Interest receivable and similar income	9	-	*9,563*
Interest payable and similar expenses	10	(132,030)	*(21,199)*
Loss before tax		**(222,627)**	*(3,027,260)*
Tax on loss	11	204,426	*(437,667)*
Loss for the financial year		**(18,201)**	*(3,464,927)*

There was no other comprehensive income for 2023 *(2022: £NIL)*.

The notes on pages 16 to 37 form part of these financial statements.

TELEFÓNICA TECH UK LIMITED
REGISTERED NUMBER: 02563193

BALANCE SHEET
AS AT 31 DECEMBER 2023

	Note		2023 £		As restated 2022 £
Fixed assets					
Intangible assets	12		893,391		-
Tangible assets	13		9,668,134		5,000,790
Current assets					
Stocks	14	1,883,743		2,397,269	
Debtors (including amounts of £9,356,993 due after more than one year (2022 - £5,082,986))	15	45,527,405		32,974,966	
Cash at bank and in hand		1,867,115		1,614,942	
		49,278,263		36,987,177	
Creditors: amounts falling due within one year	16	(43,218,123)		(40,669,439)	
Net current assets/(liabilities)			6,060,140		(3,682,262)
Total assets less current liabilities			16,621,665		1,318,528
Creditors: amounts falling due after more than one year	17		(11,089,432)		(6,651,275)
Provisions for liabilities					
Deferred tax	19		(154,996)		(370,551)
Net assets/(liabilities)			5,377,237		(5,703,298)
Capital and reserves					
Called up share capital	20		103		100
Share premium account	21		11,098,733		-
Capital redemption reserve	21		35,000		35,000
Profit and loss account	21		(5,756,599)		(5,738,398)
Total equity			5,377,237		(5,703,298)

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2023

The financial statements on pages 12 to 37 were approved by the Board of Directors and signed on its behalf on 18 February 2025

J Wark
Director

The notes on pages 16 to 37 form part of these financial statements.

Material misstatements impacting the comparative figures were noted and as a result the comparative figures have been restated. Please see notes 16 and 17 for more information.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2022	**100**	**-**	**35,000**	**(2,273,471)**	**(2,238,371)**
Comprehensive income for the year					
Loss for the year	**-**	**-**	**-**	**(3,464,927)**	**(3,464,927)**
At 1 January 2023	**100**	**-**	**35,000**	**(5,738,398)**	**(5,703,298)**
Comprehensive income for the year					
Loss for the year	**-**	**-**	**-**	**(18,201)**	**(18,201)**
Transactions with owners, recognised directly in equity					
Shares issued during the year	**3**	**11,098,733**	**-**	**-**	**11,098,736**
At 31 December 2023	**103**	**11,098,733**	**35,000**	**(5,756,599)**	**5,377,237**

The notes on pages 16 to 37 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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, 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 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 2023 and these financial statements may be obtained from www.telefonica.com.

2. Accounting policies (continued)

2.3 Going concern

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the financial statements on a going concern basis.

A back to back letter of support has been received from Telefónica S.A, the Ultimate Parent Company ("the Group"), stating that it will provide continuing financial support as necessary to enable the Company to meet its obligations as and when they fall due for a period of at least 12 months from the date of approval of these financial statements.

In assessing whether to place reliance on this letter of support, the Company Directors have concluded that the risks and uncertainties of the Company are integrated with those of the group and after reviewing the group's financial position, have concluded that the group has adequate resources to provide the support as required for the Company to continue in operational existence for at least 12 months from the date of approval of these financial statements. Accordingly, the directors have a reasonable expectation that the company has adequate resources (including those committed by the Group support letter) to continue in operational existence for at least 12 months from the date of the approval of the financial statements, and thus these financial statements have been prepared on a Going Concern basis.

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable excluding discounts, rebates, value added tax and other sales taxes.

Turnover is categorised into four distinct turnover streams. For each stream we assess whether we are acting as principal or agent in relation to the underlying transaction. This along with the identification of the distinct performance obligations within each transaction and identifying the value assigned to each performance obligation, determines the amount and timing of turnover recognised upon the satisfaction of each performance obligation.

For those obligations where the company is deemed to be principal the turnover, related costs and margin are all recorded at the gross invoice value (excluding discounts, rebates, value added tax and other sales taxes) at a point in time or overtime depending on when the performance obligation has been met.

Where the company is deemed to be agent only the profit margin of the transaction is taken to the profit and loss account, recognised as turnover, as the related performance obligation is met.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer, (b) the company retains no continuing involvement or control over the goods, (c) the amount of revenue can be measured reliably, (d) it is probable that future economic benefits will flow to the entity. (e) when the specific criteria relating to the each of company's sales channels have been met, as described below:

2. Accounting policies (continued)

2.4 Turnover (continued)

Hardware and Software sales ("Product Sales")

The product sales turnover category comprises Product only deals or combined Product Solutions for our customers. These solutions typically contain elements such as Hardware, Software and Support, provided together as part of the combined solution, albeit typically each determined to be a distinct performance obligation within the defines of the contract. In determining the appropriate turnover recognition and to assess the extent to which performance obligations have been met we have performed an evaluation which concluded that:

• Hardware is sold as principal with all performance obligations met at the point at which the hardware is delivered and accepted by the customer;
• Software as part of a combined deal (i.e. with Hardware) is typically (unless other factors are noted) determined to be integral to the hardware sold. The software typically sits on the customer's premises and is sold by us as a single upfront sale and therefore we have concluded that this is to follow the same recognition as the hardware, being principal at the point at which the solution is delivered and accepted by the customer.
• For Support items sold within these deals, we are determined to be principal (as we are initially responsible for providing the support) with the sales and cost recognised over the period of time the client is committed for (typically 1, 3 or 5 year support contracts).
• In software only deals the company is deemed to function as an agent and therefore the turnover recognised is the margin generated on the sale at the point at which the software is delivered and accepted by the customer.

Support Services

The Company supplies separate Support Services to customers which consists of short and long-term maintenance for own sold and third party hardware. Management has concluded that the company acts as Principal as we are the responsible party for providing the support and have discretion in agreeing the price. Judgement is required as we engage third party providers to provide certain elements of the support sold, however we remain ultimately responsible for the provision of the support contracts sold. As the performance obligation is discharged over the length of the support services contract that has been entered into by the customer. Turnover and costs are recognised in the profit and loss account on a straight-line basis over the duration of each specific contract.

Consultancy

The Company provides skilled professionals to customers either operating within a project framework or on a 'resource on demand' basis. For both types of consultancy offerings, we view ourselves as the principal.

For contracts operating within a project framework, turnover is recognised based on the transaction price with reference to the costs incurred as a proportion of the total estimated costs (percentage of completion basis) of the contract.

For those contracts which are 'resource on demand', turnover is billed on a timesheet basis. Professional Services turnover is recognised throughout the term of the contract, as services are delivered, as this corresponds to the service delivered to the customer and the satisfaction of the Company's performance obligations.

2. Accounting policies (continued)

2.4 Turnover (continued)

Managed Services

Turnover from contracts to provide managed services are recognised in the period in which the services are provided which may span more than one financial year. For these sales we are principal in providing these services as we have the contract with the end user and are responsible for providing the managed services.

Within our managed services offering we facilitate our customers to acquire certain software licences which are hosted and delivered by third parties. In this part of managed services, we view ourselves as the agent.

Accrued and deferred income

The timing of customer billing in relation to the satisfaction of performance obligations results in amounts being recorded in the balance sheet for accrued and deferred income. Individual billing arrangements vary by customer and contract. Accrued income is recognised on contracts for which performance obligations have been satisfied but have not yet been billed to customers at the balance sheet date. Deferred income is recognised in respect of payments received from customers in advance of the company fulfilling its performance obligations under the contracts.

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. Accounting policies (continued)

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 turnover.

2.7 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.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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 cashflows 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. Accounting policies (continued)

2.10 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, 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.

2.11 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 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.

Foreign exchange gains and losses that relate to cash at bank and in hand are presented in the Statement of income and retained earnings within 'Interest receivable and similar income or interest payable and similar charges'. All other foreign exchange gains and losses are presented in the Statement of income and retained earnings within 'administrative expenses'.

2.12 Interest payable and similar charges

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. Accounting policies (continued)

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.

2.14 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 receivable and similar income

Interest income is recognised in the Statement of income and retained earnings using the effective interest method

2.16 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)

2.17 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.

2.18 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Software is amortised over a period of 4 years.

2. Accounting policies (continued)

2.19 Provisions for liabilities

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made.

Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

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 the statement of income and retained earnings 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.

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

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Turnover recognition

Application of the turnover accounting policies as outlined in section 2.4 requires management to make the following critical accounting judgements and estimates.

Significant Judgements

Principal versus agent

Significant judgement is required in determining whether the Company is acting as principal, reporting turnover on a gross basis, or agent, reporting turnover on a net basis. We evaluate each turnover stream against the following indicators when determining whether it is acting as principal or agent in a transaction:

- Which party is primarily responsibility for fulfilling the promise to provide the specified goods or service
- Which party carries the inventory risk before the specific good or service has been transferred to the customer
- Whether we have discretion in establishing the price for the specified good or service.

Using the above criteria we have identified that certain turnover streams present a more balanced judgement than others and we note the conclusion may be reliant on the weighting applied to the responses to these criteria. When applying the weighting and concluding on whether principal or agent treatment is appropriate, the Company exercises significant levels of judgement due to the balanced nature of the assessment. The specific judgements made for each turnover category are discussed in the accounting policy section. Generally for 'software only deals' which are not sold as part of a wider 'solution' with hardware and other services, they are recognised on a net basis, as is also the case when we provide Cloud services software. These transactions are typically recognized net and at the point of delivery of the relevant software.

Identification of performance obligations

At inception of the contract, the Company assesses the products and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a product or service (or bundle of products or services) that is distinct. - i.e., if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it on its own or with other resources that are readily available to the customer. Judgement is required when determining which promises are distinct and which are not. Generally, the solutions and services sold follow a prescribed treatment and are consistently treated. However, this can vary by customer contract depending on the context of the contract and requires the evaluation of performance obligations for every contract. The judgement is significant because it can cause a significant change in the timing of turnover recognition.

3. Judgments in applying accounting policies (continued)

Consultancy services, support services, managed services, hardware and software are typically considered distinct performance obligations. This judgement is applied on a contract by contract basis and is informed through detailed contractual reviews and an understanding of the particulars of each implementation.

Recognising turnover

The Company recognises turnover when, or as, it satisfies a performance obligation by transferring control of the good or service to a customer. The judgement of when to recognise turnover is intrinsically linked to the performance obligation assessment because turnover can only be recognised when or as the performance obligation is satisfied. The distinction of whether to recognise turnover over time or at a point in time depends on how the obligation is transferred to the customer and whether there remains any ongoing obligation to satisfy the contractual requirements, given the context of the customer contract. As such the same product sold in a different way to a different customer can have a different turnover recognition profile. Generally, consultancy, support and managed services are recognised over time as and when the customer consumes the software solution or service. Conversely, hardware and software (which is hosted on our clients premises) which are considered distinct performance obligations are recognised at a point in time on delivery.

Significant estimates

When performance obligations are not sold separately, as is often the case when we supply software with associated support, estimates may be required in the determination of the value of the related software support (as it represents a separate performance obligation). The best evidence of the stand alone selling price (SSP) is the observable price when sold separately. In instances where the SSP is not directly observable, the Company determines the SSP using information that includes reference to industry norms or other observable inputs (for example when the third party supplier provides specific pricing information for support).

4. Turnover

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

	2023 £	2022 £
Managed services	25,835,040	23,594,786
Hardware and software sales	44,327,289	31,306,509
Support services	9,866,530	10,809,012
Consultancy	23,969,500	23,246,558
	103,998,359	88,956,865

Analysis of turnover by country of destination:

	2023 £	2022 £
United Kingdom	103,998,359	88,956,865

5. Operating loss

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

	2023 £	2022 £
Cost of sales	71,938,780	69,045,265
Depreciation of tangible fixed assets	2,549,522	540,531
Amortisation of intangible fixed assets	48,406	-
Exchange differences	69,626	15,687

6. *Auditors' remuneration*

During the year, the Company obtained the following services from the Company's auditors and their associates:

	2023 £	*2022 £*
Fees payable to the Company's auditors and their associates for the audit of the Company's financial statements	**402,026**	*57,964*

Included within the above fee for 2023 is £185,776 in relation to additional fees agreed in relation to the year ended 31st December 2022 audit.

The non-audit fees are £Nil *(2022 - £Nil)*.

7. Employees

	2023 £	*2022 £*
Wages and salaries	**27,325,847**	*25,183,208*
Social security costs	**3,398,954**	*3,093,209*
Other pension costs	**602,206**	*540,379*
	31,327,007	*28,816,796*

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

	2023 No.	*2022 No.*
Directors	**3**	*3*
Administration	**316**	*287*
	319	*290*

8. Directors' remuneration

	2023 £	*2022* *£*
Directors' emoluments	**609,854**	*1,172,997*
Company contributions to defined contribution pension schemes	**4,770**	*4,402*

During the year retirement benefits were accruing to 2 directors *(2022 - 2)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £380,819 *(2022 - £511,370)*.

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £2,201 *(2022 - £2,201)*.

During the year NIL directors received shares under the long-term incentive schemes (*2022 -NIL*)

9. Interest receivable and similar income

	2023 £	*2022* *£*
Other interest receivable	**-**	*9,563*

10. Interest payable and similar expenses

	2023 £	*2022* *£*
Hire purchase interest	**132,030**	*21,079*
Interest on overdue tax	**-**	*120*
	132,030	*21,199*

11. Tax on loss

	2023 £	*2022 £*
UK Corporation tax		
Adjustments in respect of previous periods	11,129	*-*
Total current tax	11,129	*-*
Deferred tax		
Origination and reversal of timing differences	(276,313)	*437,667*
Adjustments in respect of prior periods	60,758	*-*
Total deferred tax	(215,555)	*437,667*
Taxation on loss	(204,426)	*437,667*

Factors affecting tax (credit)/charge for the year

The tax assessed for the year is lower than *(2022 - higher than)* the standard rate of corporation tax in the UK of 23.52% *(2022 - 19%)*. The differences are explained below:

	2023 £	*2022 £*
Loss before tax	(222,627)	*(3,027,260)*
Loss before tax multiplied by standard rate of corporation tax in the UK of 23.52% (2022 - 19%)	(52,362)	*(575,179)*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5,523	*20,223*
Capital allowances for year in excess of depreciation	(203,725)	*(465,433)*
Adjustment to tax charge in respect of deferred tax	(197,854)	*471,295*
Adjustments in respect of previous periods	11,129	*-*
Income not taxable for tax purposes	(174,191)	*-*
Adjustments to tax charge in respect of previous periods - deferred tax	60,758	*-*
Group relief	346,296	*1,605,691*
Temporary differences arising from prior year restatements	-	*(766,759)*
Transfer pricing adjustments	-	*147,829*
Total tax (credit)/charge for the year	(204,426)	*437,667*

11. Tax on loss (continued)

Factors that may affect future tax charges

A change in UK Corporation tax rate to 25% with effect from 1 April 2023 was announced in the March 2021 budget and substantively enacted on 24 May 2021. This change will have a consequential effect on the company's tax charge in the UK.

The UK government has introduced the Multinational Top-Up Tax, implementing the OECD's Pillar II global minimum tax rules. These rules apply to multinational enterprise (MNE) groups with consolidated revenues exceeding €750 million and take effect for accounting periods beginning on or after 31 December 2023. The company is part of an MNE group that falls within the scope of these rules. Management has assessed the potential implications and concluded that no additional top-up tax is expected to arise under the Pillar II framework, as the group's effective tax rate is above the minimum threshold of 15%.

While no financial impact is anticipated for the current reporting period, the company will continue to monitor developments in the legislation and any potential reporting obligations associated with the new rules.

12. Intangible assets

	Software £
Cost	
At 1 January 2023	-
Additions	941,797
At 31 December 2023	941,797
Amortisation	
At 1 January 2023	-
Charge for the year on owned assets	48,406
At 31 December 2023	48,406
Net book value	
At 31 December 2023	893,391
At 31 December 2022	-

The amortisation charge for the year has been recognised within operating expenses.

13. Tangible assets

	Freehold property £	Leasehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost						
At 1 January 2023	3,399,357	1,234,878	776	2,270,849	1,797,325	8,703,185
Additions	-	954,488	-	577,725	419,650	1,951,863
Transferred from TTUK MS	-	818,900	-	-	4,446,103	5,265,003
At 31 December 2023	3,399,357	3,008,266	776	2,848,574	6,663,078	15,920,051
Accumulated Depreciation						
At 1 January 2023	793,465	841,942	776	603,794	1,462,418	3,702,395
Charge for the year on owned assets	47,125	386,642	-	990,083	1,125,672	2,549,522
At 31 December 2023	840,590	1,228,584	776	1,593,877	2,588,090	6,251,917
Net book value						
At 31 December 2023	2,558,767	1,779,682	-	1,254,697	4,074,988	9,668,134
At 31 December 2022	*2,605,892*	*392,936*	-	*1,667,055*	*334,907*	*5,000,790*

Tangible fixed assets were transferred from Telefonica Tech UK Managed Services Ltd to Telefonica Tech UK Limited at their previous net book value in line with FRS 102 Para 19.27.

13. Tangible assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2023 £	2022 £
Computer equipment	3,806,950	814,000

14. Stocks

	2023 £	2022 £
Work in progress	997,009	2,397,269
Finished goods and goods for resale	886,734	-
	1,883,743	2,397,269

The replacement cost of stock is not materially different to that value held at year end.

15. Debtors

	2023 £	2022 £
Trade debtors	13,111,736	11,637,052
Amounts owed by group undertakings	3,412,968	455,146
Other debtors	86,184	103,075
Prepayments and accrued income	28,916,517	20,779,693
	45,527,405	32,974,966

Prepayments and accrued income includes amounts of £9,356,993 *(2022 - £5,082,986)* that are due after one year.

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

16. Creditors: Amounts falling due within one year

	2023 £	As restated 2022 £
Amounts owed to group undertakings - cash pooling	3,607,659	-
Trade creditors	17,335,224	7,629,786
Amounts owed to group undertakings - trading	5,709,510	15,885,590
Other taxation and social security	2,494,405	3,624,337
Obligations under finance lease and hire purchase contracts	1,796,441	150,949
Other creditors	617,414	307,386
Accruals and deferred income	11,657,470	13,071,391
	43,218,123	40,669,439

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

Amounts owed to group undertakings - cash pooling, includes deposits in connection with cash pooling agreements with Telfisa Global B.V., Amsterdam, Netherlands (Telfisa Global B.V.) The company has entered into a deposit and cash management agreement (DCMA) with Telfisa Global B.V., a subsidiary of Telefonica S.A. to deposit its surplus cash in Telfisa Global B.V. or to obtain funding from Telfisa Global B.V. to cover its cash deficits, through a daily cash sweep. Funding to be received from Telfisa Global B.V. is subject to a limit per the DCMA. Cash collected by Telfisa Global B.V. from the company as well as from other group companies are ultimately transferred to Telefonica S.A. Telefonica S.A. is rated by international rating agencies with an investment rating of BBB. Therefore, no significant credit losses are noted on these balances when amounts are owed by Telfisa Global B.V.

Following a reassessment in the prior year, balances previously disclosed within accruals and deferred income of £6,267,492 relating to deferred income as at 31 December 2022 has been determined to be non-current at 31 December 2022. The non-current deferred income as at 31 December 2022 has been restated to £6,267,492 (previously nil) and the current accruals and defered income has been restated as at 31 December 2022 to £13,071,391 (previously £19,338,883).

There is no impact on the previously disclosed statement of comprehensive income as a result of the above matters.

17. Creditors: Amounts falling due after more than one year

	2023 £	As restated 2022 £
Net obligations under finance leases and hire purchase contracts	2,853,524	383,783
Deferred income	8,235,908	6,267,492
	11,089,432	6,651,275

Please see note 16 for details relating to the restatement.

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2023 £	*2022 £*
Within one year	**1,796,441**	*150,949*
Between 1-5 years	**2,853,524**	*383,783*
	4,649,965	*534,732*

19. Deferred tax

	2023 £	*2022 £*
At beginning of year	**(370,551)**	*67,116*
Charged to profit or loss	**215,555**	*(437,667)*
At end of year	**(154,996)**	*(370,551)*

The provision for deferred taxation is made up as follows:

	2023 £	*2022 £*
Accelarated capital allowances	**(832,217)**	*(432,708)*
Other short-term timing differences	**145,553**	*62,157*
Trade losses	**531,668**	-
	(154,996)	*(370,551)*

20. Called up share capital

	2023 £	*2022 £*
Allotted, called up and fully paid		
103 *(2022 - 100)* Ordinary shares of £1.00 each	**103**	*100*

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

20. Called up share capital (continued)

On 30 June 2023 Telefónica Tech UK TOG Limited ("TOG") subscribed for 3 ordinary shares in the Company for a consideration of £11,098,736, resulting in the creation of share premium of £11,098,733 in the Company. This was settled through the repayment of an outstanding amount owed to TOG.

On 30 June 2023 TOG distributed its entire share holding in the Company to its immediate parent Telefonica Tech UK Holdings Limited ("TTUKH") and on the same day TTUKH distributed the entire shares in the Company to its immediate parent Telefonica Tech UK and Ireland Limited ("TTUK&I"), both were settled as a dividend in specie. The impact of the above reorganisation is that as at 31 December 2023 and at the date of the approval of these financial statements the immediate parent undertaking of the Company is TTUK&I. At 31 December 2022 the immediate parent undertaking was TOG.

21. Reserves

Share premium account

The share premium reserve represents consideration recevied for shares issued above their nominal value net of transaction costs.

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.

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 paid by the Company to the fund and amounted to £602,206 *(2022 - £540,379)*. Contributions totalling £102,763 *(2022 - £82,472)* 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 *(2022 - none)* 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.com.

25. Ultimate and immediate parent undertaking

The immediate parent undertaking is Telefonica Tech UK & Ireland Limited. The ultimate parent undertaking and ultimate controlling party is Telefonica S.A., an entity incorporated in Spain, whose registered office is, Calle Gran Via 28, Madrid (Spain).

Telefonica Cybersecurity and Cloud Tech S.L.U. is the parent of the smallest group preparing consolidated financial statements and Telefonica S.A. is the parent of the largest group preparing consolidated statements.