

# **T-SYSTEMS LIMITED**

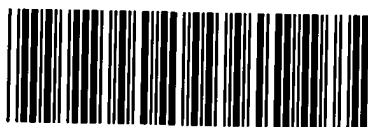
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## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

**Registered number: 01668706**

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## **T-SYSTEMS LIMITED**

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## **T-SYSTEMS LIMITED**

### **COMPANY INFORMATION**

**Directors**

Klaus Koefoed Eriksen (Appointed 21 June 2023)  
Thomas Deeg  
Julian Hartung

**Company Secretary**

J J L D'Silva

**Registered office**

First Floor  
1 Portland Place  
London  
W1B 1PN

**Independent auditors**

Deloitte LLP  
Statutory Auditors  
3 Victoria Square  
Victoria Street  
St Albans  
AL1 3TF

**Bankers**

The Royal Bank of Scotland  
2<sup>nd</sup> Floor  
152 Silbury Boulevard  
Central Milton Keynes  
MK9 1LT

**Solicitors**

Kimbells Freeth  
Davy Avenue  
Knowlhill  
Central Milton Keynes  
Buckinghamshire  
MK5 8HJ

## T-SYSTEMS LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

#### Business review

The loss for the financial year amounted to £828,000 (2021: profit £5,155,000). The directors do not recommend the payment of any dividends (2021: £nil).

The company's key financial and other performance indicators – those which give the best view of the company's current performance and financial position – during the year were as follows:

	2022	2021	Change
	£'000	£'000	%
Turnover	30,818	33,163	(7.1)
Operating (loss) / profit	(548)	4,688	(111.7)
(Loss) / Profit after tax for the financial year	(828)	5,155	(116.1)
Capital investment	318	337	(5.6)
Net assets	11,049	11,438	(3.4)
Average headcount (number)	143	163	(12.3)

Within our financial statement for 2022, we recognise the profound influence of geopolitical factors on our business operations and financial performance in the United Kingdom. Of particular significance, our operational business experienced notable challenges predominantly stemming from heightened Energy Prices and Inflation.

These geopolitical dynamics exerted a substantial influence on our financial outcomes, demanding our vigilant attention and strategic responses throughout the fiscal year. Our ability to navigate these complex geopolitical waters while maintaining financial stability is a testament to our resilience and adaptability as an organisation.

In comparison to the previous year, our turnover exhibited a decrease of 7.1%. There was some decline primarily based from contractual price adjustments and reduced operational activity related to existing customer accounts, aligning with agreed exit plans, which was not compensated for by operational activities within the remaining customer base and new business acquisitions.

The loss for the financial year was due to the one-time impact of the impairment of goodwill. Outside of that, our operational efficiency enhancements and organisational restructuring initiatives led to the underlying performance of the company showing an improvement from the prior year. The increase in operating profits is offset by a tax charge (tax credit in the prior year). Interest expense and other finance costs were consistent with the prior year.

Capital investment represents the addition of tangible and intangible fixed assets. It has remained at a level consistent with the prior year. There was no significant customer specific or infrastructure investment in the year.

Net assets have decreased in 2022 as a result of the one-time impact of the impairment of goodwill. A decrease in fixed and current assets is offset by decreases in current and long term liabilities, and the provision for liabilities, along with an increase in the pension surplus, accounts for the year end position.

The average headcount decreased in 2022 as a result of further restructuring activity aligned with proposed economic practices providing efficiency gains.

## **T-SYSTEMS LIMITED**

### **STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **Principal risks and uncertainties**

The company's operations expose it to a variety of risks principally delivery risk, and market and economic risk. Specific business risks are properly monitored and reported as they arise. Where a risk exposure is identified, suitable counteractions are implemented to mitigate the risk. The risk management system is a vital part of the overall company governance system.

#### **Delivery Risks**

The company operates a series of long-term contracts which expose it to changes in technology and shifts in customer business circumstances over the lifetime of the contracts. Technology risks are managed through working closely with the T-Systems Group as a whole to make the UK operations an integral part of the global delivery function of the group, thereby being able to provide services to UK customers from the most appropriate point of production. Changes in customer business circumstances are managed through working closely with customers to understand their requirements and amend contracts to suit their needs as they develop.

#### **Market & Economic Risk**

Various scenarios are modelled to establish the financial outcome on a worst case basis of deterioration in the market in which we operate. Specifically, the main factors which impact the company, such as, trends in the market, foreign exchange, inflation and interest rates.

#### **Future developments**

T-Systems remains committed to its ongoing transformation efforts, with a primary focus on transitioning our existing client base to our innovative technology solutions.

This transformation not only serves as a catalyst for our clients' future success but also strengthens our partnerships, fostering mutual growth. Our dedication to our existing clients remains unwavering and central to our operational ethos.

In summary, our future development strategy revolves around client-centricity, innovation, collaboration, and operational efficiency. By adhering to these principles and objectives, T-Systems is well positioned to adapt to changing market dynamics and continue delivering value to our clients and stakeholders.

Our strategic objectives include:

- **Consolidation of Delivery and Data Centre Locations**

We will persist in our strategy of streamlining our delivery locations, leveraging the capabilities available within the broader T-Systems Group. Simultaneously, we will continue to work towards consolidating our Data Centre locations for enhanced efficiency.

## **T-SYSTEMS LIMITED**

### **STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

- **Strengthened Supplier Partnerships**

Recognising the evolving marketplace dynamics, we are committed to reinforcing our collaborations with our supplier networks. These partnerships will enable us to offer comprehensive end-to-end services that meet the evolving needs of our clients, particularly in the realm of digitisation.

- **Investment in Local Sales Function**

To expand our client base and build upon our existing foundation, T-Systems Limited will maintain a vigilant focus on enhancing its local sales function. This investment will ensure our ability to reach new clients and deepen our relationships with existing ones.

- **Support from Our Parent Company**

T-Systems Limited will continue to benefit from the unwavering support of our immediate parent company in its pursuit to extend its market presence. This support is instrumental in achieving our ambitions and expanding our footprint in the industry.

- **Commitment to Corporate Responsibility:**

At T-Systems, we understand the importance of corporate responsibility. As part of our future development strategy, we are dedicated to integrating sustainable and responsible business practices into our operations. This includes minimizing our environmental footprint, promoting diversity and inclusion, and contributing positively to the communities in which we operate.

## **T-SYSTEMS LIMITED**

### **STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **Statement by the directors in the performance of their statutory duties in accordance with s172(1) Companies Act 2006**

T-Systems Limited's Section 172 (1) Statement has been published in accordance with The Companies (Miscellaneous Reporting) Regulations 2018 as set out in Section 172 (1) (a) to (f) of the Companies Act 2006.

In making decisions throughout the year ended 31 December 2022 the board of directors of Company T-Systems Limited have acted in a manner they consider would most likely promote the success of the company for the benefit of its members, as a whole, having regard to the stakeholders and matters as set out in s172 (1) (a-f) of the Act.

The company has a clear culture and set of values as set out in the employees' section of the directors' report on page 9.

#### **Confirmation of directors' duties**

T-Systems Limited is a wholly owned subsidiary of its ultimate parent Deutsche Telekom AG. The business is run by the local Board with oversight from its immediate parent T-Systems International GmbH, at regular intervals.

When making decisions the Board acts in the way they consider, in good faith, would most likely promote T-Systems Limited's success for the benefit of its members and in so doing have regard to:

#### **S172(1) (a) "The likely consequences of any decision in the long term"**

The strategy is to build a quality business, organically by growing and winning business opportunities in the markets that are allied to its parent's existing core businesses; and whilst doing this maintain and strengthen the T-Systems Limited balance sheet – especially by retaining cash reserves so as to support business flexibility. The consequence of this strategy influences the directors' approach to business and its dealings with suppliers and customers. In building for the future, the directors regard it important that long-term relationships are maintained and developed.

#### **S172(1) (b) "The interests of the company employees"**

The Board are committed to treating their employees fairly and respectfully as the company recognises that success is dependent on the quality of the employees that it retains and develops.

T-Systems Limited is an equal opportunities employer and is fair to its employees in pay and benefits, health and safety at work and in the training and personal development offered.

Employee representatives sit on an Employee Consultative Forum. Strategic business decisions are discussed with the representatives and a collaborative decision is made.

#### **S172(1) (c) "The need to foster the company's business relationships with suppliers, customers and others"**

To ensure that T-Systems Limited delivers a quality service, it recognises that it requires strong mutually beneficial relationships with suppliers and customers. The Board believes in lasting partnerships founded on a shared commitment to quality, value and service.

The company has actively implemented ISO 9001:2015 as a framework to ensure consistent quality of service to its customers and suppliers.

Examples of engagement with suppliers include:

- Innovation and value creation – We actively seek opportunities for innovation and value creation in collaboration with our suppliers.

## T-SYSTEMS LIMITED

### STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

- Timely payments – We recognise the importance of paying our suppliers promptly, as agreed upon in our contracts. Timely payments are essential to maintaining strong supplier relationships and ensuring the continuity of our supply chain.
- Collaboration and communication – We value open and transparent communication with our suppliers. Regular engagement allows us to better understand their needs, share information and collaborate on mutually beneficial initiatives.

Examples of engagement with customers include:

- Transformation and modernisation – Through close collaboration with our customers we have agreed new schedules to transform their landscapes and extend our relationships.
- Seek feedback – We seek honest feedback from our customers through the TRIM survey and prepare and execute plans to improve our relationship or delivery.
- Executive relationships – We ensure open engagement, through formal governance and through informal invitations to ensure the executive in both organisations regularly communicate on open issues and opportunities regarding our present or future services.

#### **S172(1) (d) "The impact of the company's operations on the community and the environment**

T-Systems Limited, together with its parent and ultimate parent, recognises the role it plays in society and is deeply committed to collaboration and stakeholder engagement.

It is a guiding belief that the company will only succeed by working with customers, suppliers and other stakeholders particularly, for example, when facing issues as complex and challenging as climate change.

T-Systems Limited actively participates in delivering a sustainability policy. In 2022 T-Systems Limited acquired offset carbon credits to account for its uses of energy derived from non-sustainable sources.

#### **S172(1) (e) "The desirability of the company maintaining a reputation for high standards of business conduct"**

T-Systems Limited have adopted the wider group's code of conduct setting out the guiding principles of conduct expected by members of the company in order to achieve a reputation for good service and customer satisfaction.


T-Systems Limited has communicated the ethical standards and zero-tolerance approach to modern slavery, fraud, corruption and bribery to all employees. All suppliers and partners are advised at the outset of any business relationships.

#### **S172(1) (f) "The need to act fairly as between members of the company"**

There is annual engagement with the immediate parent to agree IPF plans and target growth scenarios. Further reviews occur throughout the year to ensure that the prospects for T-Systems have every chance of a successful outcome.

After weighing up all relevant factors, the directors consider which course of action best enables delivery of the T-Systems strategy through the long-term, taking into consideration the impact on stakeholders.

This report was approved by the board on 28<sup>th</sup> November 2023 and signed on its behalf by:

DocuSigned by:  
  
773A52C8DC02408...  
**Thomas Deeg**

Director

First Floor, 1 Portland Place, London, W1B 1PN



## **T-SYSTEMS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their annual report on the affairs of T-Systems Limited ('the Company'), together with the financial statements and auditor's report, for the year ended 31 December 2022.

#### **Statement of directors' responsibilities in respect of the financial statements**

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 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 101, 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 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 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.

#### **Auditor's confirmations**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are 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.

#### **Principal activities**

The principal activities of the company are to lead and deliver innovative information technology and digitalisation services, including Cloud Services, SAP, Security and Advisory.

#### **Results and dividends**

The loss for the financial year amounted to £828,000 (2021: profit £5,155,000). The balance sheet results show net assets £11,049,000 (2021: £11,438,000). The directors do not recommend the payment of any dividends (2021: £nil).

#### **Foreign branches**

The company has a registered branch in Ireland. The branch is not trading and all trading activities are derived from within the United Kingdom.

## **T-SYSTEMS LIMITED**

### **DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **Financial risk management**

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, cash flow risk and foreign currency risk. The use of financial derivatives is governed by the Company's policies which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes:

- Credit risk - the company's policies are aimed at minimising credit risk from customers, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the company's debtors are shown in Note 16 to the financial statements.

The company manages its own cash deposits with financial institutions after consideration of advice from T-Systems Group Treasury on the credit rating and overall financial profile of those financial institutions.

- Liquidity risk - the company has the capability of accessing debt finance to ensure that it has sufficient funds for operations. Deutsche Telekom Aktiengesellschaft (the ultimate parent company) will support future operations approved by the Board with additional financing on strictly commercial terms as appropriate. At 31 December 2022 the Company had no debt finance.
- Interest rate risk - Interest rate risk might arise when the company has borrowings with variable rates. In such case, the risk will be managed as part of a T-Systems group-wide treasury and risk management policy. At 31 December 2022 the Company had no interest rate risk.
- Foreign currency risk - the company's primary transactional currency is Sterling. In order to reduce exposure to the variability of foreign exchange rates on transactions in other currencies, the company uses forward foreign currency contracts, held indirectly via T-Systems Group Treasury.

#### **Directors**

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

Jesper Kryhmand (Resigned 12 June 2023)

Klaus Koefoed Eriksen (Appointed 21 June 2023)

Thomas Deeg

Julian Hartung

#### **Political and charitable contributions**

During the year the company made no charitable donations (2021: £nil).

The company made no political contributions in the year (2021: £nil).

#### **Future developments**

The future developments of the company are disclosed in the Strategic Report.

## **T-SYSTEMS LIMITED**

### **DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **Employee involvement**

During the year, the policy of providing employees with information about the company has been continued through staff forums, development programmes and other company events. T-Systems Limited has an elected Employee Forum to comply with the UK ICE (Information and Consultation of Employees) regulations. This group meets monthly and is affiliated to the Group's European Works Council. The general company situation including the financial performance is communicated to this group twice yearly and specific local company changes are consulted on as they arise.

More general communication to the employees is delivered via a weekly "Campfire" call delivered by the Managing Director and Leadership Team. Most employees are entitled to participate in the annual bonus scheme which pays out against a mix of group and local company performance indicators such as revenue, operating profit and personal targets.

#### **Disabled employees**

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

The Company's engagement with suppliers, customers and others is referenced in the s172 statement in the Strategic Report.

#### **Going concern**

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposure to price, credit, liquidity and cash flow risk are described in the strategic and directors' reports.

The company has considerable financial resources available to it being part of the larger T-Systems Group (ultimately Deutsche Telekom Aktiengesellschaft). Under the concept of central Group financing, it is the policy of the Deutsche Telekom Group to maintain the liquidity of its subsidiaries and use its influence as a majority shareholder within such subsidiaries corporate bodies in such a way that it fulfils its contractual obligations.

The directors have carried out a going concern assessment, taking into account the current financial position of the company and profit and loss forecasts for the next 3 years. The company is expected to remain profitable and for the net current assets position to continue. This along with the immediate availability of the Group Cash Pooling facility has led the directors continue to adopt the going concern basis in preparing the directors' report and financial statements.

#### **Qualifying third party indemnity provisions**

As permitted by the Articles of Association, the directors have the benefit of an indemnity through a Deutsche Telekom Aktiengesellschaft Group policy which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Deutsche Telekom Aktiengesellschaft Group also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

## T-SYSTEMS LIMITED

### DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

#### Corporate responsibility

The directors are committed to achieving the Group wide target of reducing energy usage and using energy from renewable sources. The company is aligned to the Deutsche Telekom strategy on Corporate Responsibility and the target of being "climate neutral by 2040 at the latest".

During 2022 electricity usage remained consistent with the prior year. Since the restrictions put in place during the COVID-19 pandemic, the majority of employees have continued to work from home. The electricity usage in 2022 was as follows....

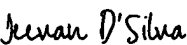
		2022		2021	
Energy Type	Activity Type	Usage	CO2 Emissions (lb)	Usage	CO2 Emissions (lb)
Electricity (MWh)	Data Centre	1,200.95	1,104,870	1,259.49	1,158,732
	Office	262.83	241,803	228.77	210,470
Business Travel (Mileage)	Flights	642,066	256,826	-	-
	Trains	107,760	6,374	-	-
	Cars	38,839	34,250	-	-
Total			1,346,673	-	1,369,202

During 2022, certification was received from both data centre providers to confirm that 100% of the electricity supplied in those locations was from renewable sources, with certificates purchased in relation to the non-renewable element in the office locations.

#### Independence of auditors

Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

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

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**J J L D'Silva**

Secretary

## **T-SYSTEMS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF T-SYSTEMS LIMITED**

#### **Opinion**

In our opinion the financial statements of T-Systems Limited.

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the summary of significant accounting policies; and
- the related notes 3 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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.

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.

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

## **T-SYSTEMS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF T-SYSTEMS LIMITED (continued)**

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 during the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 based on these financial statements.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**  
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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

## **T-SYSTEMS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF T-SYSTEMS LIMITED (continued)**

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud was related to the revenue accrual process. The revenue accrual process requires a degree of estimation due to a gap between timing of services performed and actual billing. Given the estimation around such process of revenue accrual, we deemed this a potential fraud risk for our audit. In response to this risk we performed procedures to check the appropriateness of underlying revenue transactions which reflected management's estimates of revenue earned. We performed substantive testing through inspecting the supporting evidence on the timing of transactions and audited the source data which formed the basis of management estimate. We further assessed design and implementation of the internal control activities associated to the revenue accrual process.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

#### **Report on other legal and regulatory requirements**

##### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken during the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained during the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## **T-SYSTEMS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF T-SYSTEMS LIMITED (continued)**

#### **Matters on which we are required to report by exception**

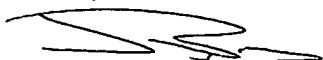
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



James Brass FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
St Albans, United Kingdom  
28 November 2023



**T-SYSTEMS LIMITED****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**


		<b>2022</b>	<b>2021</b>
			(Restated)
	Note	£'000	£'000
Turnover	4	<b>30,818</b>	33,163
Cost of sales		<b>(22,462)</b>	(24,899)
<b>Gross profit</b>		<b>8,356</b>	8,264
Administrative expenses	5	<b>(8,904)</b>	(3,576)
<b>Operating profit</b>	5	<b>(548)</b>	4,688
Interest receivable and similar income	9	-	-
Interest payable and similar expenses	10	<b>(121)</b>	(125)
Other finance income / (costs)	11	<b>18</b>	(25)
<b>Profit before taxation</b>		<b>(651)</b>	4,538
Tax on profit	12	<b>(177)</b>	617
<b>Profit for the financial year attributable to the owners of the Company</b>		<b>(828)</b>	5,155
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Actuarial gain on defined benefit schemes	23	<b>578</b>	2,199
Movements on deferred tax relating to pension deficit	21	<b>(145)</b>	(550)
<b>Other comprehensive income for the year, net of tax</b>		<b>433</b>	1,649
<b>Total comprehensive income for the year attributable to the owners of the Company</b>		<b>(395)</b>	6,804

The notes on pages 18 to 50 form part of these financial statements.

**T-SYSTEMS LIMITED****BALANCE SHEET  
AS AT 31 DECEMBER 2022**

	Note(s)	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Intangible assets	13,14	1,650	7,504
Tangible assets	15	1,348	1,528
Right-of-use assets	16	3,945	4,441
		<b>6,943</b>	<b>13,473</b>
<b>Current assets</b>			
Debtors: Amounts falling due within one year	17	29,814	35,399
Cash at bank and in hand	18	9,689	10,333
		<b>39,503</b>	<b>45,732</b>
<b>Creditors: amounts falling due within one year</b>	19	<b>(24,641)</b>	<b>(30,819)</b>
<b>Net current assets</b>		<b>14,862</b>	<b>14,913</b>
<b>Total assets less current liabilities</b>		<b>21,805</b>	<b>28,386</b>
<b>Creditors: amounts falling due after more than one year</b>	20	<b>(8,808)</b>	<b>(11,952)</b>
<b>Provisions for liabilities</b>	22	<b>(3,904)</b>	<b>(5,669)</b>
<b>Net assets excluding pension surplus</b>		<b>9,093</b>	<b>10,765</b>
Pension surplus	23	1,956	673
<b>Net assets</b>		<b>11,049</b>	<b>11,438</b>
<b>Capital and reserves</b>			
Called up share capital	24	550	550
Share premium account	25	15,000	15,000
Other reserves	25	230,776	230,770
Profit and loss account	25	(235,277)	(234,882)
<b>Total equity</b>		<b>11,049</b>	<b>11,438</b>

The financial statements of T-Systems Limited (registered number 01668706) were approved by the board of directors and authorised for issue on 28<sup>th</sup> November 2023. They were signed on its behalf by:

DocuSigned by:  
  
 773A52CBDC02406...  
**Thomas Deeg**

Director

The notes on pages 18 to 50 form part of these financial statements.

**T-SYSTEMS LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000	£'000
<b>At 1 January 2021</b>	<b>550</b>	<b>15,000</b>	<b>230,764</b>	<b>(241,686)</b>	<b>4,628</b>
<b>Comprehensive income for the year</b>					
Profit for the financial year	-	-	-	5,155	5,155
Actuarial gains on pension scheme (net) (Note 23)	-	-	-	1,649	1,649
<b>Total other comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,649</b>	<b>1,649</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,804</b>	<b>6,804</b>
Sharing Matching Plan Credit (Note 26)	-	-	6	-	6
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>6</b>
<b>At 31 December 2021</b>	<b>550</b>	<b>15,000</b>	<b>230,770</b>	<b>(234,882)</b>	<b>11,438</b>
<b>At 1 January 2022</b>	<b>550</b>	<b>15,000</b>	<b>230,770</b>	<b>(234,882)</b>	<b>11,438</b>
<b>Comprehensive income for the year</b>					
Profit for the financial year	-	-	-	(828)	(828)
Actuarial gains on pension scheme (net) (Note 23)	-	-	-	433	433
<b>Total other comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>433</b>	<b>433</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(395)</b>	<b>(395)</b>
Sharing Matching Plan credit (Note 26)	-	-	6	-	6
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>6</b>
<b>At 31 December 2022</b>	<b>550</b>	<b>15,000</b>	<b>230,776</b>	<b>(235,277)</b>	<b>11,049</b>

The notes on pages 18 to 50 form part of these financial statements.

## **T-SYSTEMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **General information**

T-Systems Limited ('the company') provides information and telecommunication services for its customers. It services customers on a global scale.

It is a private limited company limited by shares and is incorporated in England and Wales, United Kingdom with the registered number 01668706. Its registered office address is Sixth Floor, Rathbone Place, Fitzrovia, London, W1T 1HY.

#### **1. Accounting policies**

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.

##### **1.1 Basis of preparation**

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

##### **Going concern**

The company has considerable financial resources available to it being part of the larger T-Systems Group (ultimately Deutsche Telekom Aktiengesellschaft). Under the concept of central Group financing, it is the policy of the Deutsche Telekom Group to maintain the liquidity of its subsidiaries and use its influence as a majority shareholder within such subsidiaries corporate bodies in such a way that it fulfils its contractual obligations.

The directors have carried out a going concern assessment, taking into account the current financial position of the company and profit and loss forecasts for the next 3 years. The company is expected to remain profitable and for the net current assets position to continue. This along with the immediate availability of the Group Cash Pooling facility has led the directors continue to adopt the going concern basis in preparing the directors' report and financial statements.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

##### **1.2 Financial reporting standard 101 – reduced disclosure exemptions**

The company is a wholly-owned subsidiary of Deutsche Telekom Aktiengesellschaft and is included in the consolidated financial statements of Deutsche Telekom Aktiengesellschaft which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement

## T-SYSTEMS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 1. Accounting policies (continued)

##### 1.2 Financial reporting standard 101 – reduced disclosure exemptions (continued)

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1
  - Paragraph 73(e) of IAS 16 Property, Plant and Equipment
  - Paragraph 118(e) of IAS 38 Intangible Assets
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of IFRS 3 Business Combination
- recoverable Amount Disclosures for Non-Financial Assets (Amendment to IAS 36)
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers. [FRS 101.8(eA)]
- the requirements of paragraph 52, the second sentence of paragraph 89 and paragraphs 90, 91 and 93 of IFRS 16 Leases
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to (f) and 135(c) to (e) of IAS 36 Impairment of Assets, provided that the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated [FRS 101.8(l)]

##### 1.3 Turnover

T-Systems Limited provides IT services and network services for corporate customers, including IT outsourcing services and the sale of licences and desktop services.

On inception of the contract, the company identifies a "performance obligation" for each of the distinct service or deliverable for which the customer has contracted. Revenue is recognised when performance obligations have been satisfied and, for the company, the performance obligations are considered to be satisfied over the time period that the services are rendered. When a performance obligation is satisfied, the company recognises as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the company expects to be entitled in exchange for transferring promised goods or services to a customer, net of value added taxes.

## **T-SYSTEMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **1. Accounting policies (continued)**

##### **1.3 Turnover (continued)**

Some contracts include multiple deliverables, such as the sale of licences, desktop services and related installation services. Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices. If contracts include the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

##### **1.4 Goodwill**

Goodwill represents the excess of the fair value of the consideration given over the fair value of the net identifiable assets acquired. Positive goodwill arising on acquisitions is capitalised as an asset on the balance sheet. It is not subject to amortisation and is tested annually for impairment, or more frequently if events and changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment loss.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the Statement of Comprehensive Income is taken into account in determining the profit or loss on sale or closure.

##### **1.5 Tangible Assets**

Tangible assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical costs include 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated lives, using the straight-line method:

Depreciation is provided on the following basis:

Plant and machinery	-	2 to 12 years
Telecom equipment	-	2 to 12 years
Office equipment	-	2 to 12 years
Assets in the course of construction	-	No depreciation is provided on assets in the course of construction

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 Comprehensive Income.

## T-SYSTEMS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 1. Accounting policies (continued)

##### 1.6 Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The incremental borrowing rate is set at Group level and depends on the term, start date and underlying asset type.

The lease liability is presented within the creditors line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the balance sheet.

## **T-SYSTEMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **1. Accounting policies (continued)**

##### **1.6 Leases (continued)**

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of tangible and intangible assets' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### **1.7 Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

##### **1.8 Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

##### **1.9 Financial instruments**

###### **Trade receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.



## **T-SYSTEMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **1. Accounting policies (continued)**

##### **1.9 Financial instruments (continued)**

###### **Financial assets**

###### **(i) Classification**

The company classifies all of its financial assets as those to be measured at amortised cost.

###### **(ii) Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade date (being the date on which the company commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

###### **(iii) Measurement**

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The company subsequently measures all financial assets at amortised cost. Under this measurement, assets that are held for collection of contractual cash flows, where those cash flow represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented on other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the Statements of Comprehensive Income.

###### **(iv) Impairments**

The company assesses, on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the company.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

## **T-SYSTEMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **1. Accounting policies (continued)**

##### **1.9 Financial instruments (continued)**

###### **Financial liabilities**

Financial liabilities at amortised cost including bank borrowings, trade and other creditors, amounts owed to group undertakings and accruals are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

##### **1.10 Foreign currency translation**

###### **Functional and presentation currency**

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

###### **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.

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 the Statement of Comprehensive Income 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 Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within administrative expenses.

##### **1.11 Finance Costs**

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

## **T-SYSTEMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **1. Accounting policies (continued)**

##### **1.12 Share based payments (Group Share Matching Plan)**

The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in profit or loss for the accounting period.

##### **1.13 Pension costs**

###### **Defined contribution pension plan**

The company is a member of a group pension plan with an insurance company and makes contributions into employee accounts on a money purchase basis. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income 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.

###### **Defined benefit pension plan**

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Statement of Changes in Equity and in the Balance Sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of Comprehensive Income.

## **T-SYSTEMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **1. Accounting policies (continued)**

##### **1.14 Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

##### **1.15 Provisions for liabilities**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate.

##### **1.16 Income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

##### **1.17 Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

## **T-SYSTEMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **1. Accounting policies (continued)**

##### **1.18 Exceptional items**

Exceptional items are defined as those items that, by virtue of their nature, size or expected frequency, warrant separate additional disclosure in the financial statements in order to fully understand the underlying performance of the company.

These may include the costs of closure of locations or significant headcount reduction, costs arising from the acquisition or disposal of businesses including related contractual management incentive charges, transaction costs of a significant and non-recurring nature, debt-refinancing costs including early redemption premiums on voluntary repayments of borrowings, impairment charges, and the recognition of previously derecognised deferred tax assets.

##### **1.19 Intangible assets**

Intangible assets relate to externally acquired software and licences. They are capitalised at cost and stated at cost less accumulated amortisation. Amortisation is provided in order to write off the cost on a straight line basis over the estimated useful economic life, subject to a maximum of 20 years.

The carrying values of intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

## **T-SYSTEMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **2. Critical accounting estimates and judgements**

Estimates and judgements 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.

##### **2.1 Critical accounting estimates and assumptions**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

**(i) Defined benefit pension scheme**

The cost of defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to complexity of the valuation, management take the advice of the actuaries.

The key judgments and assumptions are detailed in Note 23.

**(ii) Taxation**

The decision not to recognise any of the deferred tax asset is based on the historic pattern of fluctuations between profits and losses, as the profitability has not been consistent in recent years, not deferred tax asset has been recognised. Based on forecasts in the next 12 months, there is a possibility that part of the deferred tax asset will be recognised in the 2023 financial statements.

**(iii) Impairment of fixed assets and goodwill**

The management periodically review the carrying value of fixed assets and consider the need for impairment. They take into consideration key factors such as performance of and circumstances around individual customer contracts, changes in residual value of assets and technological advancement.

**(iv) Managed Infrastructure (MIS) provisions**

A provision is recognised for the ongoing unrecoverable costs of the Managed Infrastructure (MIS) portfolio unit. A forecast of expected costs and income from customer accounts was assessed over a period of 5 years – the resulting losses were the basis for the provision. Costs included in the assessment were those related to the running of the data centres servicing the customers, internal and external workforce costs, hardware and software costs along with data centre rent, rates and power costs. The provision will be released against the losses over the next 3 years – as at 31 December 2022 (during financial year 2022), £2,085,222 has been released in line with expectations.

## **T-SYSTEMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **2. Critical accounting estimates and judgements (continued)**

##### **2.2 Critical judgements in applying the entity's accounting policies**

###### **(i) Taxation**

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of future tax planning strategy.

###### **(ii) Impairment of fixed assets and goodwill**

During the year, management made the decision to partially impair the carrying amount of goodwill. The carrying value was reduced by £5.854 million to £1.65 million.

The decision was taken due to a significant change in a customer contract which previously contributed £3.1 million to supporting the carrying value of the goodwill, along with less certainty around the future cash flows attributable to consultancy business. The remaining value is supported by ongoing consultancy and integration business. As the forecasted income from ongoing business is, by nature, subject to change, management will continue to keep this under review.

Changes in assumptions:

Change to a customer contract previously supporting the carrying value of goodwill. A new contract was signed with the customer in June 2023, but the technologies around the service offering were significantly different to the original to the extent that it was decided that it could no longer be linked to the goodwill. This contract had previously contributed £3.1 million to supporting the carrying value, but will not form part of the support going forward.

Change to forecast cash flows from consultancy and systems integration business. This area of the business has shown signs of decline in the 2023 resulting in the forecast being reduced from around £2 million at the start of the year to £1 million. Furthermore, due to the nature of this business being project based, it is not possible to forecast cash flows for future years with any certainty. Management therefore decided to remove future cash flows from the supporting calculation, which along with the reduced forecast for 2023 resulted in a reduction of £5.38 million.

Sensitivity:

The forecast is, by nature, subject to change. If forecasted cash flows were 5% higher, it would result in a goodwill carrying value of £1.73 million (an increase of £0.08 million). Whereby, if forecasted cash flows were 5% lower, it would result in a goodwill carrying value of £1.38 million (a decrease of £0.27 million).

###### **(iii) Revenue recognition – Principal versus agent**

During the year, management reviewed how revenue was recognised on customer accounts – specifically whether T-Systems Limited acts as principal or agent. As a result of this review, it was decided that in some cases, where revenue had previously been recognised on a principal basis, the company actually acted as an agent. This was adjusted accordingly, including a prior year adjustment as disclosed in Note 3.

## T-SYSTEMS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 3. Prior period error – Revenue restatement

The Company has reconsidered its previous agent/principal analysis in relation to certain elements of its contracts and concluded that it should have accounted as an agent in line with IFRS 15. Based on this conclusion, there was found to be an error in the prior year, where it was thought that the company had primary responsibility for services provided by other group entities, when in fact it was only responsible for billing the end customer on their behalf. This is corrected by restating prior year figures. There is an impact on the turnover and cost of sales as follows:

	Balance as previously stated	Amount of adjustment	Restated balance
	£'000	£'000	£'000
Turnover	76,186	(43,023)	33,163
Cost of Sales	(67,922)	43,023	(24,899)
Gross (loss) / profit	8,264	-	8,264

#### 4. Turnover

The whole of the turnover is attributable to services provided by the company from provision of computing and telecommunication services and is recognised over time.

Analysis of turnover by country of destination:

	2022	2021
		(Restated)
	£'000	£'000
United Kingdom and Ireland	25,870	26,756
Rest of Europe	4,948	6,407
	30,818	33,163

Total turnover includes £6,273,317 (2021: £6,400,444) attributable to performance obligations fulfilled, not yet billed.

2021 restatement: In the current year, the Company has (aligned with Group policy) applied an IFRIC interpretation on IFRS 15, specifically relating to resale of goods and services, and whether the entity serves as principal or agent. Based on this guidance, there is an impact on the turnover and cost of sales, but no impact on overall profit.



**T-SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****5. Operating profit**

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of tangible fixed assets	<b>490</b>	<b>389</b>
Amortisation of goodwill	<b>5,854</b>	<b>-</b>
Loss on disposal of fixed assets	<b>7</b>	<b>11</b>
Exchange differences	<b>(1,146)</b>	<b>(367)</b>

**6. Auditors' remuneration**

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the company:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable for the company's auditors for the audit of the company financial statements	<b>75</b>	<b>81</b>
	<b>75</b>	<b>81</b>

**T-SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****7. Employee information**

## Employee benefits expenses

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>17,415</b>	20,181
Social security costs	<b>2,152</b>	2,441
Pension costs – defined contribution plans	<b>1,269</b>	1,486
Other post-employment benefit (credit) / expense	<b>(18)</b>	25
	<b>20,818</b>	24,133

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

## Average number of people employed

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Management	<b>2</b>	2
Production	<b>96</b>	108
Administration	<b>23</b>	29
Sales	<b>22</b>	24
	<b>143</b>	163

**T-SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****8. Directors' remuneration**

	2022	2021
	£'000	£'000
Directors' emoluments	143	138
Company contributions to defined contribution pension schemes	15	15
	158	153

During the year retirement benefits were accruing to 1 director (2021 – 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £142,669 (2021 – £138,429).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14,576 (2021 – £15,015). No contributions were paid to a defined benefit scheme (2021 - £nil).

**9. Interest receivable and similar income**

	2022	2021
	£'000	£'000
Interest receivable from group undertakings	-	-

**10. Interest payable and similar expenses**

	2022	2021
	£'000	£'000
Bank and other interest payable	9	-
Interest on lease liabilities	112	125
	121	125

**11. Other finance (income) / costs**

	2022	2021
	£'000	£'000
Net interest on net defined benefit liability	(18)	25

**T-SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****12. Tax on profit / (loss)**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Movement on the deferred tax liability of the defined benefit pension scheme	<b>177</b>	<b>181</b>
Deferred tax recognition of amounts previously not recognised	-	(1,290)
Prior year adjustment	-	357
Impact of change in the UK tax rate	-	135
<b>Total deferred tax</b>	<b>177</b>	<b>(617)</b>
<b>Total tax charge / (credit)</b>	<b>177</b>	<b>(617)</b>

**T-SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****12. Tax on profit / (loss) (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2021 – lower than) the standard rate of corporation tax in the UK of 19% (2021 – 19%). The differences are explained below:

	2022	2021
	£'000	£'000
<b>Profit before taxation</b>	<b>(651)</b>	<b>4,538</b>
Profit before taxation at standard rate of corporation tax in the UK of 19% (2021 – 19%)	(124)	862
Expenses not deductible for tax purposes	6	4
Deferred tax not previously recognised	253	(1,290)
Deferred tax other	-	(685)
Prior year adjustment	-	357
Pre-measurement of deferred tax – change in the UK tax rate	42	135
<b>Total tax charge / (credit) for the year</b>	<b>177</b>	<b>(617)</b>

Remaining unutilised tax losses as at 31 December 2022 are £1,329,476 (2021 – £5,339,417). The deferred tax asset associated with the unutilised tax loss is £332,369 (2021 – £1,334,854). See note 21.

**Factors that may affect future tax charges**

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. The overall effect of the change, was to increase the value of the deferred tax asset not recognised by £12,020,000. There was no impact from enactment of Finance Act 2022 or Finance Act 2023.

**T-SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****13. Intangible assets**

	Software	Licences	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2022	12,392	-	-	12,392
At 31 December 2022	12,392	-	-	12,392
<b>Accumulated amortisation</b>				
At 1 January 2022	12,392	-	-	12,392
At 31 December 2022	12,392	-	-	12,392
<b>Net book value</b>				
At 31 December 2022	-	-	-	-
At 31 December 2021	-	-	-	-

Amortisation of intangible assets is included within Cost of Sales in the Statement of Comprehensive Income.

**T-SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****14. Goodwill**

	<b>Total</b>
	<b>£'000</b>
<b>Cost</b>	
At 1 January 2022	<b>7,504</b>
At 31 December 2022	<b>7,504</b>
<b>Accumulated amortisation</b>	
Charge for the year	<b>(5,854)</b>
At 31 December 2022	<b>(5,854)</b>
<b>Carrying amount</b>	
At 31 December 2022	<b>1,650</b>
At 31 December 2021	<b>7,504</b>

The goodwill balance is subject to an annual impairment review based on the business streams associated with it. The outcome of the impairment review prompted management to decide to partially impair the carrying value of the goodwill.

**Reconciliation of intangible assets**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Intangible assets (Note 13)	-	-
Goodwill (Note 14)	<b>1,650</b>	<b>7,504</b>
<b>Total intangible assets</b>	<b>1,650</b>	<b>7,504</b>

**T-SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****15. Tangible assets**

	<b>Plant and machinery</b>	<b>Telecom equipment</b>	<b>Office equipment</b>	<b>Assets in the course of construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>					
At 1 January 2022	22,542	7,996	1,599	465	32,602
Additions	293	-	12	13	318
Disposals	(41)	-	(1)	-	(42)
At 31 December 2022	22,794	7,996	1,610	478	32,878
<b>Accumulated depreciation</b>					
At 1 January 2022	21,625	7,996	1,441	12	31,074
Charge for the year	458	-	32	-	490
Disposals	(34)	-	-	-	(34)
At 31 December 2022	22,049	7,996	1,473	12	31,530
<b>Carrying amount</b>					
At 31 December 2022	745	-	137	466	1,348
At 31 December 2021	917	-	158	453	1,528



## T-SYSTEMS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 16. Leases

The company has lease contracts for various offices, data centres and vehicles. The amounts recognised in the financial statements in relation to the leases are as follows:

##### (i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Buildings	Vehicles	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 January 2022	6,308	1	6,309
Disposals	-	(1)	(1)
<b>At 31 December 2022</b>	<b>6,308</b>	<b>-</b>	<b>6,308</b>
<b>Accumulated amortisation</b>			
At 1 January 2022	1,868	-	1,868
Charge for the year	622	-	622
Disposals	(127)	-	(127)
<b>At 31 December 2022</b>	<b>2,363</b>	<b>-</b>	<b>2,363</b>
<b>Net book value</b>			
At 31 December 2022	3,945	-	3,945
At 31 December 2021	4,440	1	4,441

Additions to the right-of-use assets during the year were £0 (2021 - nil).

Assets are all lease properties. No leases expire in 2022, with the longest lease ending in 2027.

	2022	2021
	£'000	£'000
<b>Lease liabilities</b>		
Current	622	606
Non-current	3,782	4,413
	<b>4,404</b>	<b>5,019</b>

**T-SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****16. Leases (continued)****(ii) Amounts recognised in the statement of comprehensive income**

The statement of comprehensive income shows the following amounts relating to leases:

	<b>2022</b>	2021
	<b>£'000</b>	£'000
<b>Depreciation of right-of-use assets</b>		
Buildings	<b>622</b>	622
Vehicles	-	1
	<b>622</b>	623
Interest expense (included in finance cost)	<b>112</b>	126

The total cash outflow for leases in 2022 was £825,487 (2021 - £601,656). There are no short-term leases.

The interest rate applied ranges from 1.3% to 3.0% dependent on the underlying asset.

**T-SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****17. Debtors amounts falling due within one year**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	<b>13,149</b>	<b>13,570</b>
Amounts owed by group undertakings	<b>1,646</b>	<b>5,581</b>
Other debtors	<b>223</b>	<b>104</b>
Prepayments	<b>8,522</b>	<b>9,744</b>
Accrued income	<b>6,274</b>	<b>6,400</b>
	<b>29,814</b>	<b>35,399</b>

Trade debtors are stated after provision for impairment of £0 (2021 - £84,447).

Included within amounts owed by group undertakings, is the balance on the cash pooling account with Deutsche Telekom Aktiengesellschaft, the company's ultimate parent company. This can be drawn as and when required and interest is accrued on a daily basis.

The remaining amounts owed by group undertakings relates to day to day trading activities and as such is an unsecured rolling balance with standard group invoicing repayment terms.

Other debtors includes a deposit held in respect of a property sublet, along with balances relating to revaluation of current foreign currency hedging contracts.

Prepayments and accrued income decreased in 2022. This related to licences on a specific customer account. Due to the materiality of the balances, prepayments and accrued income have been disclosed separately this year.

Contract assets of £6,273,317 (2021: £6,400,444) relate to contracts where the service has been delivered to the customer, but not yet billed – typically one month in arrears.

**18. Cash at bank and in hand**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	<b>9,689</b>	<b>10,333</b>

**T-SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****19. Creditors: Amounts falling due within one year**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	<b>367</b>	<b>167</b>
Amounts owed to group undertakings	<b>7,322</b>	<b>11,925</b>
Other taxation and social security	<b>1,900</b>	<b>2,541</b>
Other creditors	<b>1,911</b>	<b>1,576</b>
Accruals	<b>9,837</b>	<b>12,189</b>
Deferred income	<b>2,682</b>	<b>1,815</b>
Lease liabilities (note 15)	<b>622</b>	<b>606</b>
	<b>24,641</b>	<b>30,819</b>

The amounts owed to group undertakings relates to day to day trading activities and as such is an unsecured rolling balance with standard group invoicing repayment terms (15 days from date of invoice). Group undertakings refers to Deutsche Telekom owned subsidiaries.

Other creditors comprises mainly of employee related liabilities (for example, amounts due to be paid in respect of the defined contribution pension scheme), and the balance relating to unexpired currency forward contracts.

Due to the materiality of the balances, accruals and deferred income have been disclosed separately this year. Furthermore, deferred income has been categorised as amounts falling due within one year and amounts falling due after more than one year (see Note 21).

**20. Creditors: Amounts falling due after more than one year**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Deferred income	<b>5,026</b>	<b>7,539</b>
Lease liabilities (note 16)	<b>3,782</b>	<b>4,413</b>
	<b>8,808</b>	<b>11,952</b>

**T-SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****21. Deferred taxation**

	<b>Deferred tax £'000</b>	
At 1 January 2022		(4)
Credited to the income statement		(177)
Credited directly to other comprehensive expense		(145)
<b>At 31 December 2022</b>		<b>(326)</b>
In respect of prior year:	<b>Deferred tax £'000</b>	
At 1 January 2021		(71)
Charge to the income statement		617
Credited directly to other comprehensive expense		(550)
<b>At 31 December 2021</b>		<b>(4)</b>
The deferred tax liability made up as follows:	<b>2022 £'000</b>	<b>2021 £'000</b>
Pension deficit	(326)	(4)
	<b>(326)</b>	<b>(4)</b>

T-Systems Limited recognised a deferred tax liability of £325,000 in 2022 (2021 - £4,000).

A deferred tax asset in relation to the company's capital allowances in advance of depreciation, tax losses and other timing differences has not been recognised due to the company not being consistently profitable over recent years.

The deferred tax asset not recognised in the financial statements is as follows:

	<b>2022 £'000</b>
Capital allowances in advance of depreciation	<b>49,284</b>
Other timing issues	<b>467</b>
Losses	<b>332</b>
	<b>50,083</b>

## T-SYSTEMS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 22. Provisions for liabilities

	Asset retirement obligations £'000	Deferred taxation £'000	MIS £'000	Total £'000
At 1 January 2022	497	4	5,168	5,669
Additions	-	321	-	321
Utilised	-	-	(2,086)	(2,086)
<b>At 31 December 2022</b>	<b>497</b>	<b>325</b>	<b>3,082</b>	<b>3,904</b>

#### Asset retirement obligations

A provision is recognised for the cost to return leased premises to their original state and condition on the termination of the respective leases. Commitments in respect of these asset retirement obligations are due after one year in line with the expiration of each lease. The expiration dates range from 2022 to 2033.

Changes in the provision arising from revised estimates or discount rates or changes in the expected timing of expenditures that relate to the property are recorded as adjustments to their carrying value and depreciated prospectively over their remaining estimated useful economic lives; otherwise such changes are recognised in the Statement of Comprehensive Income. The unwinding of the discount is included within the Statement of Comprehensive Income.

#### Managed Infrastructure

A provision is recognised for the ongoing unrecoverable costs of the Managed Infrastructure (MIS) portfolio unit. A forecast of expected costs and income from customer accounts was assessed over a period of 5 years – the resulting losses were the basis for the provision. Costs included in the assessment were those related to the running of the data centres servicing the customers, internal and external workforce costs, hardware and software costs along with data centre rent, rates and power costs. The provision will be released against the losses over the next 3 years – as at 31 December 2022 (during financial year 2022), £2,085,222 has been utilised in line with expectations.

## **T-SYSTEMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **23. Pension liabilities**

The company operates both defined benefit and money purchase arrangements for its employees and directors which are sections of the T-Systems Limited Pension Scheme. The Scheme is funded and is administered by professional pension administrators Capita Hartshead Limited.

##### **(a) Defined contribution section**

The company's contributions to the money purchase section during the year amounted to £1,268,910 (2021 - £1,485,705).

##### **(b) Defined benefit section**

T-Systems Limited's defined benefit obligations are in respect of the T-Systems Limited Pension Scheme (the "Scheme").

The Scheme comprises three separate sections:

- the Volkswagen section
- the T-Systems section, and
- the EON section

The Prudential Platinum Plan was set up at 1 April 2011 to cover employees transferring from E.ON as part of a global T-Systems International deal and transferred to the T-Systems Limited Pension Scheme in 2019. The transferees were provided with the opportunity to transfer their accrued past service from the Electricity Supply Pension Scheme (the "ESPS") into the Plan. This transfer of assets in respect of members' past service took place in 2012 and therefore the disclosures allow for the acquisition of these assets and past service obligations by the Plan.

There was a complete actuarial valuation of the Scheme as at 31 December 2019. This has been rolled forward to 31 December 2022 allowing for cash flows and changes in market conditions.

Minor demographic effects such as actual salary increase and actual mortality experience have not been allowed for in the roll-forward, except to the extent that they are captured in the cash flows. If actual demographic experience differs significantly from the actuarial assumptions, then the results of the roll-forward could differ materially from the results of a full actuarial valuation of the Scheme carried out at the measurement date.

The defined benefit section of the scheme is closed to future accrual.

**T-SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****23. Pension liabilities (continued)**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	<b>3,687</b>	3,908
Diversified Growth	<b>8,002</b>	24,205
Multi Asset Growth	<b>4,170</b>	5,869
Debt instruments	<b>17,090</b>	20,791
LDI	<b>3,058</b>	3,240
<b>Total plan assets</b>	<b>36,007</b>	58,013

The assets of the schemes are primarily held in pooled investment vehicles which are unquoted. The pooled investment vehicles hold both quoted and unquoted investments. Scheme assets include neither direct investments in the Company nor any property assets occupied by nor other assets used by the Company.

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets	<b>36,007</b>	58,013
Present value of plan liabilities	<b>(34,051)</b>	(57,340)
<b>Net pension scheme asset/(liability)</b>	<b>1,956</b>	673

The amounts recognised in the profit or loss are as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Net interest on obligation	<b>18</b>	(25)
<b>Total</b>	<b>18</b>	(25)
<b>Actual return on scheme assets</b>	<b>(1,257)</b>	(943)

Reconciliation of present value of plan liabilities were as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	<b>(57,340)</b>	(57,351)
Actuarial gains – Experience	<b>(2,888)</b>	353
Actuarial losses – Demographic assumptions	<b>34</b>	(198)
Actuarial losses – Financial assumptions	<b>25,911</b>	(251)
Interest cost	<b>(1,024)</b>	(836)
Benefits paid	<b>1,257</b>	943
<b>Closing defined benefit obligation</b>	<b>(34,051)</b>	(57,340)



**T-SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****23. Pension liabilities (continued)**

Reconciliation of present value of plan assets were as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	<b>58,013</b>	55,099
Actuarial gains	<b>(22,479)</b>	2,295
Interest income on plan assets	<b>1,042</b>	811
Contributions by employer	<b>688</b>	751
Benefits paid	<b>(1,257)</b>	(943)
	<b>36,007</b>	58,013

As at the last valuation date there were no active members, 113 deferred members and 53 members in retirement.

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	<b>2022</b>	<b>2021</b>
	<b>%</b>	<b>%</b>
Discount rate	<b>5.0</b>	1.8
Future salary increase	-	-
Future pension increase:		
- April 1997 – September 2005 (LPI5%)	<b>2.9</b>	3.1
- Post October 2005 (LPI2.5%)	<b>2.9</b>	3.1
Retail price inflation	<b>3.1</b>	3.3
Consumer price inflation	<b>2.5</b>	2.6
Mortality rates:	<b>Years</b>	<b>Years</b>
- For a male aged 65 now	<b>22.7</b>	22.6
- For a female aged 65 now	<b>24.5</b>	24.5
- For a male aged 65 in 15 years	<b>23.5</b>	23.5
- For a female aged 65 in 15 years	<b>25.5</b>	25.5

## T-SYSTEMS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 23. Pension liabilities (continued)

Sensitivity analysis - increase/(decrease) in defined benefit obligation:		2022 £'000	2021 £'000
- Discount rate	1% increase	(4,656)	(10,526)
- Discount rate	1% decrease	5,736	14,050
- Pension increases	0.25% increase	1,138	2,337
- Pension increases	0.25% decrease	(1,012)	(2,143)
- Mortality	1 year increase	758	2,012
- Mortality	1 year decrease	(770)	(1,987)

Through its defined benefit pension plans, the company is exposed to a number of risks, the most significant of which are detailed below:

#### Asset volatility

The plans' liabilities are calculated using a discount rate set with reference to corporate bond yields. If the plans' assets underperform this yield, this will create a deficit. The structure of the plans' assets is expected to outperform corporate bonds in the long term whilst providing an acceptable level of volatility and risk in the short term.

The Trustees have set a mechanism in place to ensure that as the plans mature the level of investment risk is reduced by investing more in assets which better match the profile of the liabilities. The first stage of this process was undertaken in 2016 when the investment in Bonds was reduced and re-invested into Liability Driven Investment funds.

#### Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities.

#### Inflation risk

Some of the company pension obligations are linked to inflation. Higher inflation will lead to higher liabilities.

#### Life expectancy

The plans' obligations are to provide benefits for the life of the member. As such, increases in life expectancy will result in an increase in the plans' liabilities.

#### Expected maturity analysis of pension benefits:

	2022 £'000	2021 £'000
Less than 1 year	997	900
1 to 2 years	1,028	921
2 to 5 years	3,276	2,889
5 to 10 years	6,166	5,268

#### Funding and expected contributions

At the time of the latest valuation, the company reached agreement with the Scheme Trustees to continue the current levels of funding until 2025 (subject to review at the next valuation) on the T-Systems section and that contributions to the EON section of the scheme would cease. As such the expected contributions in the next annual reporting period are £500,000.

## T-SYSTEMS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 24. Called up share capital

	2022 £'000	2021 £'000
<b>Authorised, issued, allotted, called up and fully paid:</b>		
Ordinary shares of £1 each	550	550

#### 25. Reserves

##### Share premium account

The share premium account represents the amount subscribed for share capital in excess of the nominal value.

##### Other reserves

Other reserves relates entirely to capital contributions from the group to which the company belongs.

##### Profit and loss account

The profit and loss account represents all net gains and losses and transactions with owners (e.g. dividends) that are not recognised elsewhere.

#### 26. Share based payments

In the 2004 financial year, Deutsche Telekom Aktiengesellschaft introduced its first Mid-Term Incentive Plan (MTIP) to ensure competitive total compensation for the members of the Board of Management, senior executives of Deutsche Telekom Aktiengesellschaft, and other beneficiaries mainly from the United States and United Kingdom. The MTIP is a global, Group-wide compensation instrument for Deutsche Telekom Aktiengesellschaft and other participating Group entities that promotes mid and long-term value creation in the Group, and therefore aligns the interests of management and shareholders.

The MTIP is a cash-based plan pegged to two equally weighted share-based performance parameters – one absolute and one relative. If both performance targets are achieved, then the total amount earmarked as an award to the beneficiaries by the respective employers is paid out; if one performance target is achieved, 50% of the amount is paid out, and if neither performance target is achieved, no payment is made. The carrying amount of the liability relating to the cash-settled share-based payments at 31 December 2022 is £1,645,801 (2021 - £1,168,961).

No cash-settled share-based payments had vested at 31 December 2022, nor at 31 December 2021.

## **T-SYSTEMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **27. Related party transactions**

The company has taken advantage of the exemption from disclosing related party transactions with fellow group members under IAS 24 on the grounds that the group is wholly owned by Deutsche Telekom Aktiengesellschaft whose consolidated financial statements are publicly available.

#### **28. Ultimate parent undertaking and controlling party**

The company is wholly owned by T-Systems International GmbH which is the smallest group in which the results of the company are consolidated for statutory purposes. Deutsche Telekom Aktiengesellschaft is the company's ultimate parent company. Deutsche Telekom Aktiengesellschaft is incorporated in Germany and heads the largest group in which the results of the company are consolidated for statutory purposes and is the ultimate parent undertaking and controlling party of the company. The consolidated financial statements of Deutsche Telekom Aktiengesellschaft are available to the public and may be obtained from Friedrich- Ebert-Allee 140, 53113 Bonn, Germany (the registered office of both the smallest and largest undertakings).