

Centric Telecom Limited

Registered No: 04220693

Centric Telecom Limited

**Annual report and financial statements
for the year ended 31 December 2020**



rackspace
technology.

Centric Telecom Limited

Annual report and financial statements for the year ended 31 December 2020

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Centric Telecom Limited

Officers and professional advisors

The Board of Directors

Martin Blackburn (appointed on 7 January 2020)

Stefanie Box (appointed on 30 June 2020)

Aimee Marroquin (appointed 26 February 2021)

Registered Office

Unit 5, 8 Millington Road

Hyde Park Hayes

Hayes

Middlesex

UB3 4AZ

Registered Number

04220693

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

40 Clarendon Road

Watford

Hertfordshire

WD17 1JJ

United Kingdom

Centric Telecom Limited

Directors' report for the year ended 31 December 2020

The directors present their annual report and the audited financial statements for Centric Telecom Limited (the "Company") for the year ended 31 December 2020.

Principal activities

The Company is a managed network and data centre services provider to the corporate market. Its services are all offered to customers on annual or multi-year contracts which provide the business with a high level of income visibility and maintaining this contracted turnover stream remains the principal strategy of the Company.

Results and dividends

The profit for the financial year amounted to £450,000 (2019: £209,000). The increase was primarily due to an increase in intercompany interest income in the current year. This arose from an intercompany loan between the Company and its parent company Rackspace Limited in October 2019. Two months interest income was recorded in 2019 compared to a full year in 2020.

The directors do not recommend the payment of a dividend (2019: Nil) and no dividends have been paid during the year.

Going concern

Given the Company is in a net current asset and net asset position, the directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

Events subsequent to reporting date

As at the date of these financial statements, the Company is not aware of any material impact on the financial statements arising from subsequent findings.

Carbon Emission Reporting

Per the guidance of the Department for Business, Energy and Industrial Strategy (BEIS), an analysis of the Company's carbon emissions under Streamlined Energy & Carbon Reporting was carried out for the year ending December 2020. It was concluded that the Company does not meet the threshold therefore will not be reporting on carbon emissions.

Financial risk management

The Company finances its activities with a combination of intercompany loans, cash and capital contributions. Overdrafts are used to satisfy short term cash flow requirements. Other financial assets and liabilities, such as trade receivables and trade payables arise directly from the Company's operating activities.

Financial instruments give rise to credit risk, liquidity risk, interest rate and foreign currency risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade. The Company has a detailed bad debt policy that considers factor such as ageing profile and historic default rates. See Note 12 for exact provision details.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's use of financial instruments is confined to bank accounts. Management ensures that the Company has sufficient cash at bank and debt facilities from group undertakings to allow it to settle all obligations as they fall due.

Centric Telecom Limited

Directors' report for the year ended 31 December 2020 (continued)

Financial Risk management (continued)

Foreign currency risk

All customers are invoiced, and substantially all of the Company's expenses are paid, in the functional currency of the Company.

Directors

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

Martin Blackburn (appointed on 7 January 2020)

Stefanie Box (appointed on 30 June 2020)

Aimee Marroquin (appointed 26 February 2021)

Darren Norfolk (resigned on 6 January 2020)

Reinhard Waldinger (resigned on 30 June 2020)

Chris Rosas (resigned on 26 February 2021)

Charitable and political contributions

During the year, the Company did not make any charitable or political contributions (2019: £nil).

Qualifying directors' indemnity

Cover was in place during the financial year and up to the date of signing the financial statements, in respect of payments incurred by directors or officers of the Company in respect of losses arising from:

- any claim made against them by reason of wrongful acts committed by them whilst in the capacity of director or officer of the Company;
- disqualification proceedings;
- the attendance at an investigation; and
- attendance at any environmental proceedings.

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are 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.

Centric Telecom Limited

Directors' report for the year ended 31 December 2020 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

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.

Directors' confirmations

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

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

Independent auditors

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

Small companies exemptions

In preparing the Directors' Report for the year ended 31 December 2020 the Company has taken advantage of the small companies' exemption under section 415(A) of the Companies Act 2006 for reduced disclosures. The Directors have also taken advantage of the exemption under section 414 (B) not to prepare a Strategic Report.

This report was approved by the board on 28 September 2021 and signed on its behalf by:



A Marroquin

Director

28 September 2021

Independent auditors' report to the members of Centric Telecom Limited

Report on the audit of the financial statements

Opinion

In our opinion, Centric Telecom Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements, which comprise: the balance sheet as at 31 December 2020; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Centric Telecom Limited

Independent auditors' report to the members of Centric Telecom Limited (continued)

Reporting on other information

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

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

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

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

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditors' report to the members of Centric Telecom Limited (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to workplace regulations, employment related laws, Data Protection Act and the General Data Protection Regulation 2016/679, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and potential management bias in the selection and application of significant accounting judgements and estimates. Audit procedures performed by the engagement team included:

- Evaluation of design effectiveness of management's controls to prevent and detect irregularities,
- enquiry with management about known or suspected instances of non-compliance with laws and regulations and fraud,
- Review of legal expense account code to assess if there are any undisclosed litigation and claim,
- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations, journals posted by senior management,
- reviewing minutes of meetings of management and the board of directors,
- testing the assumptions and supporting documents over significant estimates.

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

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

Use of this report

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

Centric Telecom Limited

Independent auditors' report to the members of Centric Telecom Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Lee Jarrett (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 September 2021

Centric Telecom Limited

Statement of comprehensive income for the year ended 31 December 2020

| | Note | 2020 £'000 | 2019 £'000 |
|--|------|---------------|---------------|
| Revenue | 5 | 363 | 387 |
| Cost of sales | | (115) | (171) |
| Gross profit | | 248 | 216 |
| Administrative expenses | | (6) | (9) |
| Operating profit | 6 | 242 | 207 |
| Finance income | 7 | 222 | 45 |
| Profit before taxation | | 464 | 252 |
| Tax on profit | 10 | (14) | (43) |
| Profit for the financial year | | 450 | 209 |
| Total comprehensive income for the year | | 450 | 209 |

All of the activities of the Company are classed as continuing.

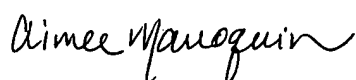
The notes on pages 12 to 19 form an integral part of these financial statements.

Centric Telecom Limited

Balance sheet as at 31 December 2020

| | Note | 2020 £'000 | 2019 restated £'000 |
|---|------|---------------|---------------------------|
| Fixed assets | | | |
| Loan to group undertaking ¹ | 13 | 5,700 | 5,700 |
| Tangible assets | 11 | - | - |
| Current assets | | | |
| Trade and other receivables | 12 | 103 | 112 |
| Deferred taxation | 14 | 615 | 629 |
| Cash at bank and in hand | | 794 | 539 |
| | | 1,512 | 1,280 |
| Creditors: amounts falling due within one year | 15 | (105) | (323) |
| Net current assets | | 1,407 | 957 |
| Total assets less current liabilities | | 7,107 | 6,657 |
| Net assets | | 7,107 | 6,657 |
| Capital and reserves | | | |
| Called up share capital | 16 | 6,366 | 6,366 |
| Share premium account | | 1,509 | 1,509 |
| Profit and loss account | | (768) | (1,218) |
| Total shareholders' funds | | 7,107 | 6,657 |

These financial statements on pages 9 to 19 were approved and authorised for issue by the Board of Directors on 28 September 2021, and are signed on its behalf by:



A Marroquin
Director

The notes on pages 12 to 19 form an integral part of these financial statements.

¹ Prior year intercompany loan is restated to reclassify between "Trade and other receivables" and "Loan to group undertaking". See note 13 for more details.

Centric Telecom Limited

Statement of Changes in Equity for the year ended 31 December 2020

| | Called-up share capital £'000 | Share premium account £'000 | Profit and loss account £'000 | Total shareholders' fund £'000 |
|---|--|--------------------------------------|-------------------------------------|---|
| Balance as at 1 January 2019 | 6,366 | 1,509 | (1,427) | 6,448 |
| Profit and total comprehensive income for the financial year | - | - | 209 | 209 |
| Balance as at 31 December 2019 and 1 January 2020 | 6,366 | 1,509 | (1,218) | 6,657 |
| Profit and total comprehensive income for the financial year | - | - | 450 | 450 |
| Balance as at 31 December 2020 | 6,366 | 1,509 | (768) | 7,107 |

The notes on pages 12 to 19 form part of these financial statements.

Centric Telecom Limited

Notes to the financial statements for the year ended 31 December 2020

1. General information

Centric Telecom Limited (the "Company") is a private company limited by shares and it is incorporated and domiciled in the England, United Kingdom. The address of its registered office and Company is Unit 5, 8 Millington Road, Hyde Park Hayes, Hayes, Middlesex, UB3 4AZ. The registered number of the Company is 04220693. The principal activity of the Company is outlined in the Directors' report.

2. Statement of compliance

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

Summary of significant accounting policies

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

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Prior year intercompany loan of £5,700,000 is restated to reclassify between "Trade and other receivables" and "Loan to group undertaking" under Fixed Assets. See note 13 for more details.

(b) Financial reporting standard 102 – reduced disclosure exemptions

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

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of paragraphs 12.26, 12.27, 12.29(a), 12.29(b), 12.29A and 12.30;
- the requirements of Section 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

(c) Foreign currency

The Company's functional and presentation currency is the pound sterling ("£").

(d) Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, exclusive of discounts and value added tax.

Non-recurring revenue: customers are billed in accordance with the contractual terms; if the customers are billed in advance, the associated revenue is reflected as deferred income. Revenue is released to the Statement of Comprehensive Income as work is completed and services go live.

Centric Telecom Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

3. Accounting policies (continued)

Recurring revenue: customers are billed monthly, quarterly or annually in advance. At the point of invoicing the associated revenue is reflected as deferred income. Revenue is recognised to the Statement of Comprehensive Income in the financial year the services are delivered.

(e) Tangible fixed assets and depreciation

All tangible fixed assets are shown at their original cost to the Company, less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated to write down the cost of an asset, on a straight-line basis over the estimated useful economic life of that asset. Depreciation is charged from the month of purchase at the following rates:

| | | |
|------------------------|---|--------------|
| Plant and machinery | - | 3 to 5 years |
| Network infrastructure | - | 3 to 5 years |

Assets' residual values, useful economic lives and depreciation methods are reviewed and adjusted prospectively if appropriate, or if there is any 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 within Administrative expenses within the statement of comprehensive income.

(f) Cash at bank and in hand

Cash at bank and in hand includes cash in hands. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(g) Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Notes to the financial statements for the year ended 31 December 2020 (continued)

(h) Financial instruments

The Company has chosen to adopt sections 11 and 12 of FRS102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated party without imposing additional restrictions.

Financial assets measured at amortised cost comprise of trade receivables, other receivables, accrued income and amounts due from group companies.

Financial Liabilities measured at amortised cost comprise of trade payables, other payables, accruals, and amounts owed to group companies.

(j) Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently recognised at amortised cost, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Notes to the financial statements for the year ended 31 December 2020 (continued)

4. Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. There are no critical judgements that have been made in arriving at the amounts recognised in the financial statements. There are no key areas of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year.

5. Revenue

The whole of revenue is attributable to the principal activity of the Company and to services provided within the United Kingdom.

6. Operating profit

All remuneration costs for audit and taxation services for the year ended 31 December 2020 and 2019 have been borne by other Group companies. There is no recharge of these fees (2019: nil).

7. Finance income

| | 2020 | 2019 |
|---|------------|-----------|
| | £'000 | £'000 |
| Intercompany interest income | 222 | 45 |
| Total intercompany interest income | 222 | 45 |

Intercompany interest income generated from Rackspace Limited at a rate three-month LIBOR rate, plus a margin of 3.5% (2019: 3.5%).

8. Staff costs

All staff contracts are held with fellow group companies and therefore the Company has no employees (2019: nil). There was a reallocation of these staff costs through intercompany hosting expense of £142,000 (2019: £130,000).

9. Directors' emoluments

All directors' emoluments are borne by other group companies (2019: nil). No recharges by other group entities.

Centric Telecom Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

10. Tax on profit

a) Analysis of tax charge in the year

| | 2020 | 2019 |
|--|-------|-------|
| | £'000 | £'000 |
| Current tax: | | |
| United Kingdom corporation | - | - |
| Total current tax | - | - |
| Deferred tax: | | |
| Deferred tax charge for the current year | 88 | 48 |
| Effect of changes in tax rates | (74) | (5) |
| Total deferred tax | 14 | 43 |
| Tax on profit | 14 | 43 |

b) Factors affecting the tax charge

The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%). The difference between the total taxation shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

| | 2020 | 2019 |
|--|-------|-------|
| | £'000 | £'000 |
| Profit before taxation | 464 | 252 |
| Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%) | 88 | 48 |
| Factors affecting the charge for the year: | | |
| Effect of change in tax rates | (74) | (5) |
| Tax on profit | 14 | 43 |

c) 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%. This new law has not yet been substantively enacted. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to reduce the tax expense for the year by £194,000, to increase the deferred tax asset by £194,000.

Centric Telecom Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

11. Tangible assets

| | Plant and machinery £'000 | Network infrastructure £'000 | Total £'000 |
|---------------------------------|---------------------------------|------------------------------------|----------------|
| Cost | | | |
| At 1 January 2020 | 4 | 60 | 64 |
| At 31 December 2020 | 4 | 60 | 64 |
| Accumulated depreciation | | | |
| At 1 January 2020 | 4 | 60 | 64 |
| At 31 December 2020 | 4 | 60 | 64 |
| Net book value | | | |
| At 31 December 2020 | - | - | - |
| At 31 December 2019 | - | - | - |

12. Trade and other receivables

| | 2020 £'000 | 2019 £'000 |
|------------------------------------|---------------|---------------|
| Trade receivables | 68 | 73 |
| Amounts owed by group undertakings | 35 | 39 |
| | 103 | 112 |

Trade receivables are stated after provisions for impairment of £39,000 (2019: £9,000).. Remainder of amounts owed by group undertakings are interest free and repayable on demand.

13. Loan to group undertaking

| | 2020 £'000 | 2019 restated £'000 |
|---------------------------|---------------|------------------------|
| Loan to group undertaking | 5,700 | 5,700 |
| | 5,700 | 5,700 |

The loan to group undertaking is for £5.7 million (2019: £5.7 million) receivable from the immediate parent company, Rackspace Limited. The interest rate is charged at three-month LIBOR rate, plus a margin of 3.5% on the loan receivable and is due quarterly in arrears. The loan matures on 24 October 2024. For the prior year, this has been restated from "Trade and other receivables" to "Loan to group undertaking" under Fixed Assets.

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Notes to the financial statements for the year ended 31 December 2020 (continued)

14. Deferred taxation

The movement in the deferred asset during the year was:

| | 2020 | 2019 |
|--|------------|------------|
| | £'000 | £'000 |
| Asset brought forward | 629 | 672 |
| Charged to the profit and loss account | (14) | (43) |
| Asset carried forward | 615 | 629 |

Deferred taxation in the financial statements is analysed as follows:

| | 2020 | 2019 |
|--|------------|------------|
| | £'000 | £'000 |
| Capital allowances in excess of depreciation | 503 | 450 |
| Tax losses carried forward | 104 | 177 |
| Short term timing differences | 1 | 2 |
| Allowance for doubtful debts | 7 | - |
| Asset carried forward | 615 | 629 |

15. Creditors: amounts falling due within one year

| | 2020 | 2019 |
|------------------------------------|------------|------------|
| | £'000 | £'000 |
| Trade payables | - | 3 |
| Amounts owed to group undertakings | 21 | 189 |
| Taxation and social security | 42 | 7 |
| Accruals and deferred income | 42 | 124 |
| | 105 | 323 |

Amounts owed to group undertakings are unsecured, interest free (2019: Nil%) and repayable on demand.

16. Called-up share capital

| | 2020 | | 2019 | |
|---|------------------|--------------|------------------|--------------|
| | Number of shares | £'000 | Number of shares | £'000 |
| Authorised, allotted and fully paid: | | | | |
| Ordinary shares of £1 each | 6,364,694 | 6,365 | 6,364,694 | 6,365 |
| Preference shares of £1 each | 1,000 | 1 | 1,000 | 1 |
| | 6,365,694 | 6,366 | 6,365,694 | 6,366 |

The preference shares do not carry any voting rights. They are redeemable at any time by resolution of the directors and are entitled to receive a dividend at the discretion of the directors.

Notes to the financial statements for the year ended 31 December 2020 (continued)

17. Ultimate parent company and controlling party

The Company is a wholly owned subsidiary of Datapipe Europe Limited. The ultimate parent undertaking is Rackspace Technology, Inc.. The ultimate controlling party is Apollo Global Management, LLC, a limited liability company incorporated in Delaware, the United States of America, via its management of certain funds which hold the controlling interest in Rackspace Technology, Inc., Inception Topco, Inc.'s name changed to Rackspace Corp. as at 31 March 2020 and subsequently changed to Rackspace Technology, Inc. in June 2020. Rackspace Technology, Inc. listed on the Nasdaq Global Select Market on 5 August, 2020. The smallest and largest group to consolidate these financial statements is Rackspace Technology, Inc. These financial statements are publicly available at <https://ir.rackspace.com/>.

18. Events subsequent to reporting date

As at the date of these financial statements, the Company is not aware of any material impact on the financial statements arising from subsequent findings.

19. COVID-19

The recent outbreak of Coronavirus Disease 2019 in early 2020 (the "COVID-19 pandemic") has affected businesses and economic activities to varying extents worldwide. The Company has taken a number of health and safety measures to monitor and reduce the COVID-19 impact on staff including working from home. Management have performed an assessment of the company's ability to meet supplier and employee obligations, implementing new revenue collectability measures, ensuring existing revenues are collected etc. In addition, the Company is closely monitoring the development of the COVID-19 pandemic and its related impact on the Company's businesses. As at the date of these financial statements, the Company is not aware of any material impact on the financial statements arising from the COVID-19 pandemic.