

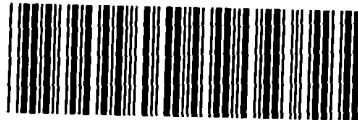
Fujitsu Laboratories of Europe Limited

Directors' report and financial statements

Registered number 4153469

31 March 2020

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Strategic Report

Fujitsu Laboratories of Europe ("Company") is a company incorporated in England and Wales with a Branch Office in Spain. The Company is a wholly owned subsidiary of Fujitsu Laboratories Limited ("FLL"), a company which is incorporated in Japan. FLL is a wholly owned subsidiary of Fujitsu Limited ("Fujitsu"), a company which is also incorporated in Japan.

Principal Activities

The Company undertakes socially responsible and trusted research, development and innovation designed to solve social challenges with advanced technologies. The Company plays a major role in enabling Fujitsu's co-creation and digital transformation strategy.

Business Objectives

The Company's business objectives which are incorporated into its mission statement are to:

- Deliver regional innovation initiatives which contribute to the Fujitsu Group ethos by the application of human centric innovation and cutting-edge technologies underpinned by trusted and ethical innovation to solve social challenges and drive the evolution of social transformation.
- Undertake ground-breaking research and development, underpinned by the core values of corporate social responsibility, protection of the global environment and a sustainable, reliable, social infrastructure.
- Work collaboratively with sister companies, partners and research institutions to identify and develop technologies which deliver strong and tangible contributions to Fujitsu's business and growth.
- Engage in co-creation and open innovation opportunities in order to understand customer business requirements to enable research to be aligned to reflect the needs of the business and wider community.

The Company has the full range of skills and capabilities needed to deliver these objectives.

Realisation of Business Objectives

The Company continues to represent FLL in Europe fulfilling the Fujitsu co-creation agile business strategy of implementing new and advanced technologies in support of Fujitsu business across the region's diverse mix of countries and ideologies. During the year significant technological successes were achieved.

The Fujitsu Laboratories of Europe Innovation Gathering was held in London in July with the focus of digital trust and social innovation in the context of Fujitsu's theme 'Driving a Trusted Future'. The event provided the opportunity for visitors from academia and the wider business community to see demonstrations of the latest Fujitsu technologies being applied to identify, create and deliver digital transformation and to create a new generation of trusted technologies.

1 Trusted and Ethical Technologies

The Company's participation in EU-wide initiatives focusing on ethics for Artificial Intelligence (AI) expanded significantly. It renewed its membership in the AI4People initiative which was set up to facilitate and create a common forum for discussion of principles, policies and practices on which to build a good AI society. During the audit year the Company contributed to the AI4People's second White Paper presented at the EU Parliament and made further contributions to the EU AI Ethics Guidelines. The Company was one of 50 organisations which took part in the Deep Dive pilot interviews conducted by the EU Commission and attended as a senior Advisory Board member to the European Conference on Artificial Intelligence. The Company has been invited to contribute at the United Nations' AI for Good Global Summit 2020.

Strategic Report (Continued)

2 *Ground-breaking research and technologies*

Research in the financial sector has continued with the focus being on money laundering detection through use of new techniques capable of analysing the behaviour of transactions by using graph analysing technology. The work has attracted the interest of many banks and regulators and the Company was selected to participate in the Anti-Money Laundering solutions Technology Hackathon organised by the UK Financial Conduct Authority in 2019. The Company continues to collaborate closely with the banking sector in Spain and the UK Financial Conduct Authority to develop a strategy for financial business in Europe.

The Company's technical computing activities continued to play an important role in support of new supercomputer business activities for Fujitsu. The development of optimisation techniques for the Fujitsu High Performance Computing technology ("HPS") resulted in significant improved speed and run-time energy efficiency savings. AI-based automated managing technologies were developed which, when applied to approximate computing, mean that the balancing between massive computing speedups previously achievable at the risk of lowering the quality of produced result can be effectively managed or eliminated. Significant real-life results were achieved in climate modelling using HPC.

3 *Delivery of strong and tangible contributions to Fujitsu's business and growth*

Company collaborations with healthcare professionals and industry experts has demonstrated Fujitsu's service and solutions competencies to customers and to the science and research communities. Work undertaken since the opening of the Company's Branch office in Spain in 2015 has formed the basis of a newly launched commercial Healthcare solutions service by Fujitsu in Spain which is available to healthcare professionals. The AI and data analytics innovation developed by the Company for inclusion in the Healthcare framework accelerates the deployment of sophisticated intelligent solutions to automate business processes and deliver insights from structured, semi-structured and unstructured data in real-time providing a means of information discovery and analysis to support medical diagnoses.

New AI decentralised text mining and named entity recognition technologies developed during the audit year will accelerate the deployment of sophisticated intelligent solutions to automate business processes and deliver insights from unstructured data by recognising context and making intelligent connections allowing even non-technical users to easily extract insights from multiple data sources accelerating the discovery of the most relevant information.

4 *Co-creation and open innovation*

The Company expanded its co-creation activities participating in a number of high-profile projects with Fujitsu and customers in the transport, finance, healthcare and manufacturing sectors to test new technologies using real data. Proof-of-concept and proof-of business collaboration projects successfully demonstrated the Company's ability to successfully contribute advanced technologies and to overcome challenges by demonstrating in-depth knowledge of both industry-specific and business needs for successful co-creation projects which meets business expectations. Anomaly detection technologies developed during the year were successfully tested in several high profile proof-of-value projects achieving results which demonstrated significant improvements in automated anomaly detection accuracy delivering significant resource savings and quality improvements in customer applications.

Assessment of Performance

The performance of the Company is assessed by the Board on a regular basis. Board assessment is determined on the basis of specific Key Performance Indicators ("KPIs").

Key Performance Indicators ("KPIs").

- Creation of new technologies, innovation and intellectual property;
- Delivery of outstanding results which result in increase in in-year funding and/or securing funding for the next financial year;
- New business opportunities gained by Fujitsu resulting from innovative technological contributions made by the Company;

Strategic Report (Continued)

- Completion of contracted innovation and technological developments on time and within the agreed budget;
- Contribution to Fujitsu's cutting-edge achievements as evidence by press releases relating to or referencing Company achievements;
- Enhancement of Fujitsu reputation for achievement of state-of-the art research as demonstrated by conference papers and publications.

Principal Risks and Uncertainties

The Company performs research and development, innovation and pre-commercialisation activities to support the role of its parent company Fujitsu Laboratories Limited within the Fujitsu Group. As an integral part of the Fujitsu Group, the Company does not perform work for non-Fujitsu organisations and relies on the securing of funding from other companies within the Group, research and proof-of-business collaboration opportunities and funding grants available under open-tender European research projects.


During 2019, in response to the emergence of the global services environment demanding fast, secure communications embodying enhanced data analytics capabilities and deployment of distributed, robust, predictive and ethical AI technologies, Fujitsu announced the creation of the Fujitsu Global Laboratories. As a result of this re-structuring, the Company's activities in financial year commencing April 2020 will become more closely integrated with those of other Fujitsu Laboratories in Japan, USA and China. The virtual Laboratories will provide an opportunity for the Company to contribute at many levels in the creation and development of ground-breaking technologies designed for global distribution.

Organisation and Research Themes

The Company organisational structure and research themes during the audit period reflect the core activities of the Company:

- Artificial Intelligence research (AIR) with focus on applied and advanced deep learning, predictive learning, machine learning and creative information analytics. AIR research is spread between the Hayes Park and Madrid facilities.
- Inspired Quantum Computing and HPC research, with particular focus on digital annealer, deep anomaly detection contributing to the development of applications and deep learning optimization techniques required by the next generation of super computers
- Trusted Technologies research encompassing ethical AI, explainable AI, AI for cyber security and block-chain technologies reflecting a key element of Fujitsu's commitment to create innovation which contributes to a trusted, safer, more prosperous human centric society.

This Strategic Report was approved by the Board of Directors on 8th December 2020 and signed on its behalf by:



Adel Rouz
Director

Directors' Report

The Board of Directors

The directors who held office during the year and up to the date of the report unless otherwise stated were as follows:

Hiroataka Hara	(Chairman)
Makoto Kono	
Adel Rouz	
Susan Everson	(Company Secretary)

Post period resignations

Makoto Kono	(resigned 1 April 2020)
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Post period appointments

Ken Toyoda	(appointed 1 April 2020)
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None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

Political and charitable contributions

The Company made no charitable contributions during the financial year (2019: nil).
No political donations were made during the financial year (2019: nil).

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Financial Risk Management

Details of risks and policies for mitigating them are set out in Note 18

Brexit

The Company considered the effects that the UK's exit from the European Union ("Brexit") may have on the Company and the risks associated with funding, bank transactions and Inter-Company arrangements. The Company is satisfied that it has procedures and processes in place to deal with the impact of a variety of Brexit scenarios even though it expects the impact to be minimal. The Company believes there are no events nor circumstances related to Brexit that may cast significant doubt on the Company's ability to continue as a going concern.

Going Concern - Impact of Covid-19

Covid-19 is one of the most significant economic events for the world and at the date of this report the full effects of the pandemic on people and the economies of every country are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

The Company considered the effects that Covid-19 may have on the Company and the risks associated with funding and the ability to fulfil its research commitments under Inter-Company arrangements. The Company is satisfied that it has procedures and processes in place to deal with the impact of a variety of Covid-19-related scenarios even though it expects the impact to be minimal. The Company believes there are no events nor circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

Directors' Report (Continued)

Dividends

The directors do not recommend the payment of a dividend 2020 (2019: nil). Therefore the retained profit for the financial year has been transferred to reserves.

International Financial Reporting Standards

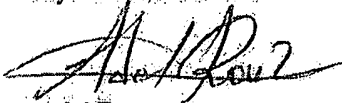
The Company has applied International Financial Reporting Standards as adopted by the EU (Adopted IFRSs) since 2009.

Auditor

Ernst and Young (E&Y) LLP served as auditor for 31 March 2020 financial year.

In accordance with Section 487 of the Companies Act 2006, a resolution for the re-appointment of Ernst and Young (E&Y) LLP as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

By order of the board



Adel Rouz
Director

4th Floor, Building 3
Hyde Park Hayes
11 Millington Road
Hayes
UB34AZ

8th December 2020

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Fujitsu Laboratories of Europe Limited

Opinion

We have audited the financial statements of Fujitsu Laboratories of Europe Limited (the "Company") for the year ended 31 March 2020 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, the Statement of cash flows and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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 as a whole 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 on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

Ernst & Young LLP

Jane S. Turnor (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

8th December 2020

Income Statement

for the year ended 31 March 2020	Note	2020	2019
		£	£
Revenue		5,451,729	5,610,353
Other income		213,261	338,261
Research and development expenditure	7	(4,136,477)	(4,946,757)
Gross profit		1,528,513	1,001,857
Administrative expenses		(660,238)	(342,211)
Operating profit		868,275	659,646
Financial income	6	3,895	3,723
Exchange loss	6	(42,831)	(28,034)
Net finance expense		(38,936)	(24,311)
Profit before tax		829,339	635,335
Taxation		(6,094)	49,494
Profit for the year		823,245	684,829

Statement of Comprehensive Income: for the year ended 31 March 2020

	2020	2019
	£	£
Profit for the year	823,245	684,829
Total comprehensive income	823,245	684,829

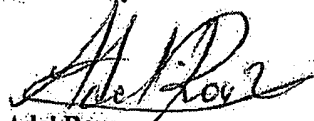
The notes on pages 13 to 29 form part of these financial statements.

Balance Sheet
As at 31 March 2020

	Note	2020	2019
		£	£
Non-current assets			
Property, plant and equipment	9	69,225	22,489
Rent Deposit		34,829	
Intangible assets	10	-	-
Deferred tax asset	12	116,247	126,155
		<u>220,301</u>	<u>148,644</u>
Current assets			
Other financial assets	11	603,502	599,606
Trade and other receivables	13	1,814,732	2,132,934
Cash and cash equivalents	14	4,403,926	3,352,687
		<u>6,822,160</u>	<u>6,085,227</u>
Total assets		<u>7,042,461</u>	<u>6,233,871</u>
Current liabilities			
Trade and other payables	15	957,346	972,001
		<u>957,346</u>	<u>972,001</u>
Total liabilities		<u>957,346</u>	<u>972,001</u>
Equity			
Share capital	17	670,000	670,000
Retained earnings		5,415,115	4,591,870
		<u>6,085,115</u>	<u>5,261,870</u>
Total equity		<u>6,085,115</u>	<u>5,261,870</u>

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

These financial statements were approved by the board of directors on the 8th December 2020 and were signed on its behalf by:



Adel Rouz
 Director

Company Registered No. 4153469

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

	Share capital £	Retained earnings £	Total Equity £
Balance at 1 April 2018	670,000	3,907,041	4,577,041
Total comprehensive income			
Profit for the period	-	684,829	684,829
Balance at 31 March 2019	<u>670,000</u>	<u>4,591,870</u>	<u>5,261,870</u>
Balance at 1 April 2019	670,000	4,591,870	5,261,870
Total comprehensive income			
Profit for the period	-	823,245	823,245
Balance at 31 March 2020	<u>670,000</u>	<u>5,415,115</u>	<u>6,085,115</u>

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

Cash Flow Statement
 for the year ended 31 March 2020

	Note	2020	2019
		£	£
Cash flows from operating activities:			
Profit for the year		823,245	684,829
Adjustments for:			
Depreciation, amortisation and impairment		23,643	27,384
Financial income	6	(3,895)	(3,723)
Exchange Loss	6	3,412	(28,034)
Deferred government grant		-	(38,085)
Deferred tax charge	12	9,908	(84,660)
Taxation	8	(3,814)	(49,494)
		<u>852,499</u>	<u>508,217</u>
(Increase)/ Decrease in trade and other receivables		322,015	(48,885)
(Increase)/Decrease in inventories			
Increase in trade and other payables		(14,655)	251,820
		<u>307,360</u>	<u>202,935</u>
Net cash from operating activities:		<u>1,159,859</u>	<u>711,152</u>
Cash flows from investing activities			
Rent Deposit		(34,829)	
Acquisition of property, plant and equipment		(70,379)	
		<u>(105,208)</u>	
Net cash from investing activities:		<u>1,054,651</u>	<u>711,152</u>
Net increase in cash and cash equivalents		<u>1,054,651</u>	<u>711,152</u>
Net cash on unrealised forex		(3,412)	
Cash and cash equivalents at 1 April		<u>3,352,687</u>	<u>2,641,535</u>
Cash and cash equivalents at 31 March	14	<u>4,403,926</u>	<u>3,352,687</u>

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

Notes **(forming part of the financial statements)**

1 Basis of presentation

Fujitsu Laboratories of Europe Limited with registered address at 4th Floor, Building 3, Hyde Park Hayes, Hayes, UB3 4AZ (the "Company") is a private and limited by shares company, incorporated and domiciled in the UK.

The Company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of Accounting

The preparation of financial statements in conformity with Adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenditure. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on management's best knowledge of the amounts, events or actions at each year end. Actual results may differ from these estimates.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 18.

These financial statements have been prepared in accordance with IFRS. The accounting policies are disclosed in Note 2.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Impact of Covid-19

Covid-19 is one of the most significant economic events for the world and at the date of this report the full effects of the pandemic on people and the economies of every country are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

The Company considered the effects that Covid-19 may have on the Company and the risks associated with funding and the ability to fulfil its research commitments under Inter-Company arrangements. The Company is satisfied that it has procedures and processes in place to deal with the impact of a variety of Covid-19-related scenarios even though it expects the impact to be minimal. The Company believes there are no events nor circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

Measurement convention

The financial statements are prepared on the historical cost basis except that the assets and liabilities such as accounts receivables and accounts payables are stated at their fair value.

Functional and presentation currency

The financial statements are presented in British pounds which is the Company's functional currency.

Notes (continued)

2. Accounting policies

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenditure. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on management's best knowledge of the amounts, events or actions at each year end. Actual results may differ from these estimates.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value. Management determines the classification and subsequent measurement of the financial asset based on the contractual terms at the initial recognition date. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. Current trade receivables do not carry any interest charge.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Other financial assets

Loans granted to the other companies within the Fujitsu Limited Group, with fixed or determinable payments, are measured at amortised cost using the effective interest rate method, less any provision for impairment.

Financial assets at amortised cost

The Company classifies its financial assets as measured at amortised cost only if both of the following criteria are met:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes (continued)

2 Accounting policies (continued)

Impairment and financial assets

The company's financial assets are subject to IFRS 9's expected credit loss model. These assets are reviewed at both an individual asset and at collective level at the Balance Sheet date to determine whether there is any indication of impairment.

Related party transactions represents major source of revenue, with payment being received within the stipulated contractual terms. As such the inter-group transactions pose no credit risk and there is no credit loss impairment.

Impairment losses

No impairment losses were recognised in the period

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- plant and equipment 3 years. Effective depreciation rate is at 33.33% per annum.
- fixtures and fittings 3 years. Effective depreciation rate is at 33.33% per annum.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes (continued)

2 Accounting policies (continued)

Intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software 3 years. Effective amortisation rate is at 33.33% per annum

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Revenue

Company turnover comprises revenue from performance of R&D services and Research & Development Tax Credit as provided for in the Finance Act 2013.

Nature of goods and services

Company turnover mainly comprises fees under contracts for research and development (R&D) for Fujitsu Group companies; Fujitsu Laboratories Limited and Fujitsu Limited being the major customers.

Transaction price

The transaction price is determined before work commences based on the specified contracted outcomes. Transaction price is based on the Fujitsu intercompany transfer pricing criteria.

Notes (continued)

2 Accounting policies (continued)

Revenue (continued)

Revenue recognition

The Company has assessed the practices applied in relation to revenue recognition for R&D services and has determined whether revenue has been recognised over-time or in-time. For the majority of R&D services, revenue is recognised over time as the R&D services are provided to the customers but in some instances, for those contracts which specify that no charges may be levied until output of R&D services has been accepted, revenue is recognised point-in-time on acceptance.

The Company has determined that revenue is recognised in line with IFRS 15. Appropriate adjustments are made to allocate the revenue received into the period to which it relates. Revenue relating to future periods is deferred until it can be recognised in accordance with IFRS 15.

Finance Act 13 introduced Research & Development Expenditure Credit for companies for R&D expenditure incurred on or after 1 April 2013, replacing the previous R&D tax credit. The Company is utilising this scheme and show the amount under 'other income'. Revenue is calculated based on the R&D qualifying expenditure for the Financial Year.

Research and development

Research and development is the main business activity which generates revenue for the Company. Research and development expenditures are written off except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Company is expected to benefit.

Expenses

Financing income and expenses

Financing expenses comprise interest payable and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprises interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes (continued)

3 New and amended standards and Interpretation

A number of new standards, amendments to standards and interpretations became effective for the year ended 31 March 2020. Those standards that have relevance to the company are mentioned below.

IFRS 16 Leases

IFRS 16 became effective for the year ended 31 March 2020. The company determined that all the current lease agreements falls into the recognition exemption of short-term leases. Therefore, the Standard had no impact on the financial statements of the Company. The Company will reassess whether IFRS 16 is applicable going forward.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The company applies significant judgement in identifying uncertainties over income tax treatments. Since the company operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its financial statements. Upon adoption of the Interpretation, the company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The company's tax filings include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the company.

Amendments to IFRS 9: *Prepayment Features with Negative Compensation*

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.

Annual Improvements 2015-2017 Cycle

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

The amendment on the Standard had no impact on the financial statements of the Company.

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2020	2019
Directors	1	2
Researcher	28	29
Administration	7	8
	<u>36</u>	<u>39</u>

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£	£
Wages and salaries	2,679,999	2,846,818
Social security costs	287,725	279,201
Contributions to defined contribution plans	49,632	53,170
	<u>3,017,356</u>	<u>3,179,189</u>

5 Directors' remuneration

	2020	2019
	£	£
Wages and salaries	158,600	395,218
Social security costs	22,214	21,897
Benefit in kind (Includes Pension £9000)	21,598	29,352
	<u>202,412</u>	<u>446,467</u>
Directors' emoluments	<u>202,412</u>	<u>446,467</u>

Notes (continued)

6 Finance income and expense

Recognised in profit or loss

	2020	2019
	£	£
<i>Finance income</i>		
Interest income on unimpaired financial assets	<u>3,895</u>	<u>3,723</u>
Total finance income	<u>3,895</u>	<u>3,723</u>
<i>Exchange gain/(loss)</i>		
Interest paid to HMRC	(402)	(589)
Revaluation loss recognised on EU project advance receipt	-	-
Revaluation loss recognised on Euro account hold in the UK	(3,412)	(14,899)
Forex gain/(loss) recognised on Spanish branch account consolidation	(1,122)	(4,181)
Realised loss recognised on other Foreign Purchase invoices	<u>(37,895)</u>	<u>(8,365)</u>
	<u>(42,831)</u>	<u>(28,034)</u>

7 Expenses and auditor's remuneration

Included in profit are the following:

	2020	2019
	£	£
Research and development expensed as incurred	4,136,477	4,946,757
Depreciation and amortisation	<u>23,643</u>	<u>27,384</u>

Auditor's remuneration:

	2020	2019
	£	£
Audit of these financial statements	<u>9,100</u>	<u>19,500</u>
Non-Audit Service Fee	36,822	47,300

Notes (continued)

8 Taxation

Recognised in the income statement

	2020	2019
	£	£
Current year	(143,888)	(111,382)
Overseas tax	147,702	162,324
Adjustments for prior years	-	-
Current tax expense	<u>3,814</u>	<u>50,492</u>
Origination and reversal of temporary differences	<u>(9,908)</u>	<u>(998)</u>
Deferred tax expense	<u>(9,908)</u>	<u>(998)</u>
Total tax expense	<u>(6,094)</u>	<u>49,494</u>

Reconciliation of effective tax rate

	2020	2019
	£	£
Profit for the year	835,433	684,829
Spanish branch (profit)/loss excluded for UK tax purposes	(65,993)	(55,054)
Total tax expense	<u>6,094</u>	<u>(49,494)</u>
Profit excluding taxation for UK tax purposes	<u>775,534</u>	<u>580,281</u>
Tax using the UK corporation tax rate of 19%	(147,351)	(110,253)
Non-deductible expenses	2,419	(7,082)
Overseas Tax	147,702	162,325
Adjustment	<u>(8,864)</u>	<u>4,504</u>
	<u>(6,094)</u>	<u>49,494</u>

Notes (continued)

9 Property, plant and equipment

	Plant and equipment £	Fixtures & fittings £	R&D equipment £	Total £
Cost				
Balance at 31 March 2019	<u>1,065,272</u>	<u>64,870</u>	<u>117,922</u>	<u>1,248,064</u>
Balance at 1 April 2019	1,065,272	64,870	117,922	1,248,064
Write off/Disposal	(977,454)	(35,241)	(114,572)	(1,127,267)
Additions	<u>70,379</u>	<u>-</u>	<u>-</u>	<u>70,379</u>
Balance at 31 March 2020	<u>158,197</u>	<u>29,629</u>	<u>3,350</u>	<u>191,176</u>
Depreciation and impairment				
Balance at 31 March 2019	<u>1,042,783</u>	<u>64,870</u>	<u>117,922</u>	<u>1,225,575</u>
Balance at 1 April 2019	1,042,783	64,870	117,922	1,225,575
Write off/Disposal	(977,454)	(35,241)	(114,572)	(1,127,267)
Depreciation charge for the year	<u>23,643</u>	<u>-</u>	<u>-</u>	<u>23,643</u>
Balance at 31 March 2020	<u>88,972</u>	<u>29,629</u>	<u>3,350</u>	<u>121,951</u>
Net book value				
At 31 March 2019 and 1 April 2019	<u>22,489</u>	<u>-</u>	<u>-</u>	<u>22,489</u>
At 31 March 2020	<u>69,225</u>	<u>-</u>	<u>-</u>	<u>69,225</u>

10 Intangible assets

	Computer software £	Total £
Cost		
Balance at 31 March 2019 and 1 April 2019	20,826	20,826
Write off/Disposal	(14,026)	(14,026)
Balance at 31 March 2020	<u>6,800</u>	<u>6,800</u>
Amortisation and impairment		
Balance at 31 March 2019	20,826	20,826
Balance at 1 April 2019	20,826	20,826
Write off/Disposal	(14,026)	(14,026)
Amortisation for the year	<u>-</u>	<u>-</u>
Balance at 31 March 2020	<u>6,800</u>	<u>6,800</u>
Net book value		
At 31 March 2019 and 1 April 2019	<u>-</u>	<u>-</u>
At 31 March 2020	<u>-</u>	<u>-</u>

Notes (continued)

11 Other financial assets

	2020 £	2019 £
Current:		
Cash on deposit with Fujitsu EMEA plc.	603,502	599,606
	<u>603,502</u>	<u>599,606</u>

12 Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2020 £	2019 £
Property, plant and equipment	30,589	40,497
Spain R&D Tax Credit	85,658	85,658
	<u>116,247</u>	<u>126,155</u>

Movement in deferred tax during the year

	1 April 2019 £	Recognised in income £	31 March 2020 £
Property, plant and equipment	40,497	(9,908)	30,589
Spain R&D Tax Credit	85,658		85,658
	<u>126,155</u>	<u>(9,908)</u>	<u>116,247</u>

Movement in deferred tax during the prior year

	1 April 2018 £	Recognised in income £	31 March 2019 £
Property, plant and equipment	41,495	(998)	40,497

The reduction in the deferred tax asset attributable to property, plant and equipment is due to the rate change as described in Note 8 and the reversal of temporary differences.

Notes (continued)

13 Trade and other receivables

	2020 £	2019 £
Trade receivables due from related parties (Note 1)	985,379	849,725
Tax receivables	664,310	1,059,032
Other debtors (Note 1)	107,466	127,323
Prepayments	57,577	96,854
	<u>1,814,732</u>	<u>2,132,934</u>

14 Cash and cash equivalents

	2020 £	2019 £
Cash and cash equivalents	<u>4,403,926</u>	<u>3,352,687</u>

15 Trade and other payables

	2020 £	2019 £
Trade payables	110,146	59,344
Other payables	124,163	161,276
Accrued expenses	545,852	574,196
Contract liabilities	177,185	177,185
	<u>957,346</u>	<u>972,001</u>

16 Retirement benefits

The Company operates a defined contribution pension plan (Fujitsu Group Personal Pension Plan). The total pension cost charged to income statement in the current year was £49,632 (2019: £53,170). There are no prepayments or amounts outstanding at the yearend (2019: £nil).

17 Capital and reserves

	2020 £	2019 £
Share capital		
Allotted, called up and fully paid 670,000 ordinary shares of £1 each	<u>670,000</u>	<u>670,000</u>

Notes (continued)

18 Financial instruments

The Company's financial instruments comprise cash, short-term deposits, trade receivables and trade payables that arise directly from the Company's trading operations.

Credit risk

Financial risk management

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 receivables from customers and investment securities. The Company has a low credit risk as it transacts primarily with other group companies and governments.

All revenues from customers comprise inter-group transactions. FLE follows the Fujitsu Group accounting policy. Under the policy, ECL allowance should not be recognised for receivables from Fujitsu internal transactions (Interco receivables). In case of loss the Fujitsu entity customers of FLE is required to provide explanation to FLE.

During the financial year, the other receivables comprise R&D tax credits from HMRC. FLE considered the risk to be low and therefore has not recognised in profit and loss any amount of credit losses (or reversal), as an impairment gain or loss. Were there to be any other receivables, any impairment charge would be based on past experience with these institutions and FLE would apply the historic bad debt percentage (if any) as per the Fujitsu Group policy.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was (2020: £1,649,689) being the total of the carrying amount of receivables shown in the table below.

The maximum exposure to credit risk is as follows:

	2020	2019
	£	£
Japan	890,863	837,445
U.K.	610,065	980,815
Europe	148,761	90,497
	<u>1,649,689</u>	<u>1,908,757</u>

Notes (continued)

18 Financial instruments (continued)

The maximum exposure to credit risk for receivables is as follows:

	2020 £	2019 £
Related party	985,379	849,725
Government bodies	664,310	1,059,032
	<u>1,649,689</u>	<u>1,908,757</u>

Credit quality of financial assets and impairment losses

The aging of receivables at the balance sheet date was:

	Gross 2020 £	Impairment 2020 £	Gross 2019 £	Impairment 2019 £
Not past due	<u>1,649,689</u>	<u>-</u>	<u>1,908,757</u>	<u>-</u>
	<u>1,649,689</u>	<u>-</u>	<u>1,908,757</u>	<u>-</u>

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 has a low liquidity risk as there is no financial liability and some of the payable balances are in the nature of time difference adjustments, such as unreceived invoices and overpaid taxes. The actual trade payable has been all paid in April 2020.

The following are the contractual maturities of trade and other payables.

	2020 Carrying amount £	1 year or less £	2019 Carrying amount £	1 year or less £
Trade and other payables	<u>957,346</u>	<u>957,346</u>	<u>972,001</u>	<u>972,001</u>
	<u>957,346</u>	<u>957,346</u>	<u>972,001</u>	<u>972,001</u>

Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company has a low foreign exchange and market risk as most transactions are conducted in sterling and the Company does not have significant interest bearing liabilities.

Notes (continued)

18 Financial instruments (continued)

Interest rate risk

Profile

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments was as follows:

Fixed rate instruments

	2020 £	2019 £
Financial assets	<u>603,502</u>	<u>599,606</u>

Sensitivity analysis

The Company does not account for any fixed rate financial assets at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the business. The Board of Directors monitor the overall profitability of the Company and level of dividends.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

19 Related parties

At 31 March 2020 Fujitsu Laboratories Limited, which is the Company's immediate parent, directly held 100% of the voting shares of the Company.

Identity of related parties

The Company has a related party relationship with each of the following:

- Its parent Fujitsu Laboratories Limited and ultimate parent Fujitsu Limited;
- Its directors; and
- Other Fujitsu Limited Group companies. Related party transactions are made on terms equivalent to those that prevail in arm's length transactions only such terms can be substantiated.

The compensation of key management personnel (including the directors) is as follows:

	2020 £	2019 £
Key management emoluments including social security costs	<u>202,412</u>	<u>446,467</u>

Notes (continued)

19 Related parties (continued)

Revenue from customers comprises revenue from intra-group organisations. Changing economic factors have no impact on receipts. Revenue from contracts with customers have been disaggregated by region and customer below:

Related party transactions

	<u>Sales to</u>		<u>Purchase from</u>	
	2020 £	2019 £	2020 £	2019 £
Japan				
Parent (Fujitsu Laboratories Limited, Japan)	4,722,603	5,083,937	-	-
Ultimate Parent (Fujitsu Limited, Japan)	588,625	468,700	174,482	214,588
Fujitsu Advance Technology Limited	-	-	-	-
	<u>5,311,228</u>	<u>5,552,637</u>	<u>174,482</u>	<u>214,588</u>
UK				
PFU (EMEA) Limited	-	-	543,445	561,981
Fujitsu Services Limited	68,129	50,500	43,538	32,300
	<u>68,129</u>	<u>50,500</u>	<u>586,983</u>	<u>594,281</u>
Fujitsu Canada	2,315			
Europe				
Fujitsu Technology Solutions	49,433	-	-	-
Fujitsu Norway AS	10,900	5,250	-	-
Fujitsu Denmark	9,724			
	<u>70,057</u>	<u>5,250</u>	<u>-</u>	<u>-</u>
Grand Total	<u>5,451,729</u>	<u>5,608,387</u>	<u>761,465</u>	<u>808,869</u>

Sales to Fujitsu Laboratories Limited and Fujitsu Limited comprise fees under contracts for research and development for Fujitsu Group Companies. Expenses incurred from PFU (EMEA) Limited relate to rental of premises and management charges. Others are mainly communication related charges.

	<u>Receivables</u> <u>outstanding</u>	<u>Receivables</u> <u>outstanding</u>	<u>Payables</u> <u>outstanding</u>	<u>Payables</u> <u>outstanding</u>
	2020 £	2019 £	2020 £	2019 £
Parent (Fujitsu Laboratories Ltd, Japan)	619,839	702,845	-	-
Ultimate Parent (Fujitsu Ltd, Japan)	172,699		22,152	
Fujitsu Norway AS	192	5,250	-	-
Fujitsu Services Limited	81,754	600	-	1,608
Fujitsu Denmark	9,724	-	-	-
Fujitsu Next Generation Solution Div	-	-	-	-
Fujitsu Technology Solution SA	-	40	-	-
Fujitsu Software Purchasing Div	98,325	-	-	-
Fujitsu Human Resource Professional Ltd	-	-	-	-
PFU (EMEA) Ltd	2,846	240	51,881	-
Fujitsu Laboratories of Europe, Sucursal en Espana	-	6,150	-	-
	<u>985,379</u>	<u>715,125</u>	<u>74,033</u>	<u>1,608</u>

All receivables and payables are subject to standard terms of 30 days, except for receivables from Fujitsu EMEA PLC, which is a cash deposit of a short-term nature.

Notes (continued)

20 Sources of Revenue

There are three sources of revenue as set out below. Revenue recognition for each type is set out in Note 1

Government grants from the European Union are treated as deferred income and released to the income statement as the related expenditure is incurred.

	2020 £	2019 £
Revenue from contracts with Customers	5,451,729	5,609,103
European Union grants released to revenue	-	1,250
Research & Development Expenditure Credit	213,261	338,261
	<u>5,664,990</u>	<u>5,948,614</u>

21 Ultimate parent Company and parent Company of larger group

The Company is a subsidiary undertaking of Fujitsu Laboratories Limited, incorporated in Japan. The Fujitsu Laboratories Limited is the immediate parent company.

Fujitsu Laboratories Limited
4-1-1 Kamikodanaka
Nakahrara-ku
Kawasaki
Kanagawa 211-6588
Japan

Fujitsu Limited which is the ultimate parent Company incorporated in Japan, in which the results of the Company are consolidated is that headed by Fujitsu Limited. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from

Fujitsu Limited
Shiodome City Centre
1-5-2 Higashi Shimbashi
Minato-ku
Tokyo 105-7123
Japan

22 Subsequent events

There are no subsequent events for the FY19