Registered No. 1118976

NEC (UK) Limited

Annual Report and Financial Statements

For the year ended 31 March 2022

Registered No. 1118976

Directors
Mr G Collins
Mr C Mills
Mr C Jackson

Secretary
Mr C Mills

Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

Banker
HSBC Bank plc
8 Canada Square
London
E14 5HQ

Registered Office
Athene
Odyssey Business Park
West End Road
South Ruislip
Middlesex
HA4 6QE

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Strategic Report

The directors present their Strategic Report for the year ended 31 March 2022.

Results and dividends

The profit and loss account shows a loss before tax for the year of £598,000 (2021: profit £337,000) and loss for the year after taxation of £538,000 (2021: profit £352,000). Total comprehensive gain for the year was £8,702,000 (2021: loss £6,366,000).

Principal activity and review of business

NEC (UK) Ltd is a wholly owned subsidiary of NEC Europe Ltd, which is a wholly owned subsidiary of NEC Corporation, the ultimate parent undertaking, which is incorporated in Japan.

NEC (UK) Ltd is responsible for the marketing, sales, installation and service of a comprehensive range of NEC's communication, IT and display technologies. The Company's main competitors in the market are Ericsson, Nokia-Siemens and Huawei.

The Company has seen sales decrease in the Small Cell and Wireless due to UK project roll outs ending.

The Company sees a number of opportunities to drive the success of Mid-Range Plans:

- Wireless – driving better margins through the offering of increased scope of services and new products being brought to market.
- 5G Open RAN – increase business growth as a service integrator, partnering with Carrier operators and suppliers across the world to deploy 5G networks in the most cost effective, innovative and secure way.

The Company also received other income in the year of £3,076,000 (2021: £4,119,000). This is received from companies within the NEC Group for services provided for the Display, Enterprise and 5G activities.

Key Performance Indicators (KPI'S)

The directors have considered the results for the year and have made the following observations on the following key performance indicators:

Sales have decreased to £10,762,000 (2021: £12,411,000). The gross profit is £3,312 (2021: £3,443,000).

Going Concern

Notwithstanding the Company's net current liabilities of £35,671,000 as at 31 March 2022, the directors have prepared the financial statements on a going concern basis, and considered it appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, with support from group companies, the Company will continue to hold sufficient cash balances to enable it to continue to meet its obligations as they fall due. To fund these cash balances, an intercompany loan is made between the Company and NEC Europe Limited (the immediate parent company). NEC Europe Limited funds this loan by an intercompany loan facility it has in place with NEC Capital (UK) Plc, which is funded by NEC Corporation (the ultimate parent company).

The directors of NEC Europe Limited have provided confirmation to the Company that NEC Europe Limited intends, and has the ability, to continue to provide additional financial support sufficient to enable the Company to continue to operate for a period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

This financial support to the Company is dependent upon the financial position of NEC Europe Limited. As at 31 March 2022, the loan facility that NEC Europe Limited could draw down from NEC Capital (UK) Plc was €175.2m, with a due date of May 2022. At 31 March 2022 the amount drawn was €116,663,448 (2021: €139,564,155). As of the date of signing these financial statements the total loan facility has been renewed and the amount NEC Europe Limited can draw down is €138.0 million with a due date of 31 May 2023. As at the date of approval of these financial statements, €11,273,307 of this facility remains undrawn and available. NEC Europe Limited's financial support to the Company is dependent on NEC Capital (UK) Plc renewing the facility beyond the current due date of May 2023. The Directors of NEC Europe Limited anticipate that the loan facility will be renewed in May 2023 for a further year at a similar amount to the current draw down limit.

Written confirmation has been provided to the NEC Europe Limited's directors by NEC Corporation, that, if funding is request in the event that the existing facility is not renewed NEC Corporation intends to provide additional financial support sufficient to enable NEC Europe Limited and its subsidiaries, including the Company, to operate and meet their liabilities for a period of at least 12 months from the date of approval of these financial statements.

The Directors have considered the ability and intent of NEC Corporation to provide financial support and, while the directors acknowledge that there can be no certainty that this support will be provided, at the date of approval of these financial statements, they have no reason to believe that it will not.

The directors of the Company therefore have sufficient assurance that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Therefore, they continue to adopt the going concern basis in preparing the annual financial statements.

Future developments

The Company and Group has seen revenues decrease over recent years due to a restructuring of the NEC Group globally. The directors of the NEC Europe Group of Companies aim to invest in future business development including 5G and High Performance Computers. NEC will continue to review profitability in all business and implement the necessary changes to improve growth.

On behalf of the board

C Mills
Secretary

Date: 31 March 2023

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Directors' Report

The directors present their report and financial statements for the year ended 31 March 2022.

Dividends

The directors do not recommend the payment of a dividend (2021: nil).

Employee Policy

The Company is firmly committed to the continuation and strengthening of communication lines with all its employees, and is committed to equality of opportunity in all employment practices, policies and procedures. No employee or potential employee will therefore receive less favorable treatment due to their race, creed, nationality, colour, ethnic origin, age, or religious belief.

Financial risks and uncertainties

As part of the review, the Directors have also considered the exposure of the Company to credit risk, foreign exchange risk, interest rate risk and liquidity risk, in order that an overall assessment can be made of the Company's assets, liabilities, its financial position and its results for the year. The Company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Credit risk

The Company operates policies that require credit checks on and continuous reviews of potential and current customers before sales are made.

Foreign exchange risk

The Company has contracts in the UK and Europe and hence has transactions denominated in multiple currencies. The Board reviews and agrees policies for managing foreign exchange risks arising from the Company's operations.

Interest rate risk

The Company seeks to minimise its exposure to movements in interest rates by maintaining positive cash flow and minimising borrowings.

Liquidity risk

The Company is funded through the loan facility with NEC Capital (UK) Plc. The Company participates in a cash pooling arrangement with fellow Group subsidiaries. The directors consider that the available sources of funds are adequate for the Company's operations as discussed in the Going Concern policy.

Pension risk

The Company has over the last few years taken steps to reduce risk from the DB scheme, including closing the scheme to future accrual in June 2009 and running an Enhanced Transfer Value Exercise during the first half of 2010. The Company, on behalf of the participating employers, agreed a satisfactory recovery plan with the Trustees after considering the deficit position reported in the 2015 Actuarial Valuation.

Creditor payment policy

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It is the Company's policy to adhere to the payment terms agreed with the supplier. Payments are contingent on the supplier providing goods or services to the required standards.

Political and Charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year (2021: nil).

Directors

The directors who served during the year are listed below:

Mr C Jackson;

Mr. Y Hasegawa (appointed 1st April 2020, resigned 1 April 2022);

Mr C Mills

The director who was appointed after the year is:

Mr G Collins (appointed 1st April 2022)

Disclosure of information to auditors

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 auditors are unaware; and each Director has taken all 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 auditors are aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

On behalf of the board

C Mills

Director

Date: 31 March 2023

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, 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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 and reliable;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 NEC (UK) Limited

Opinion

We have audited the financial statements of NEC (UK) Limited ("the company") for the year ended 31 March 2022 which comprise the Profit and loss account, Statement of other comprehensive income, Balance sheet and Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going Concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks"), we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of director as to the Company's high-level policies and procedures to prevent and detect fraud, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk that revenue is overstated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts and seldom used accounts and journals with unusual descriptions.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the director and other management as required by auditing standards, and from inspection of the Company's regulatory and legal correspondence and discussed with the director and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the director and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Ashley Rees

Ashley Rees (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

31 March 2023

Profit and Loss Account

for the year ended 31 March 2022

	Notes	2022 £'000	2021 £'000
Turnover	2	**10,762**	**12,411**
Cost of sales		**(7,450)**	**(8,968)**
Gross profit		***3,312***	***3,443***
Selling & distribution costs		**(6,387)**	**(6,827)**
Administration expenses		**(160)**	**(240)**
Other operating income		**3,076**	**4,119**
Net foreign exchange (loss)/gain		**(79)**	**67**
Operating (loss)/profit		***(238)***	***562***
Other interest receivable and similar income	4	**1**	**235**
Interest payable and similar expenses	5	**(361)**	**(460)**
(Loss)/Profit before taxation	3	***(598)***	***337***
Tax	8	**60**	**15**
(Loss)/Profit for the financial year		**(538)**	**352**

The notes on pages 17 to 39 form part of these financial statements.

Statement of Other Comprehensive Income

for the year ended 31 March 2022

	Notes	*2022* *£'000*	*2021* *£'000*
(Loss)/Profit for the financial year		**(538)**	**352**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Actuarial profit/(loss) recognised in the defined benefit pension scheme	17	**14,216**	**(10,335)**
Withholding Tax on Pension Scheme Asset		**(4,976)**	**3,617**
Total comprehensive profit/(loss) for the year		**8,702**	**(6,366)**

The notes on pages 17 to 39 form part of these financial statements.

Registered No. 1118976

Balance Sheet

at 31 March 2022

	Notes	*2022* *£'000*	*2021* *£'000*
Fixed assets			
Intangible assets	9	**160**	166
Tangible fixed assets	10	**260**	614
Pension surplus	17	**17,516**	3,470
Investments	11	**3,021**	3,021
Total fixed assets		**20,957**	7,271
Current assets			
Stock	12	**223**	311
Debtors	13	**15,676**	10,569
Cash and cash equivalents		**7**	8
Total current assets		**15,906**	10,888
***Creditors:** (amounts falling due within one year)*	14	**(51,577)**	(43,036)
Net current liabilities		**(35,671)**	(32,148)
Total assets less current liabilities		**(14,714)**	(24,877)
***Creditors:** (amounts falling due after more than one year)*	15	**(7,933)**	(3,410)
Provisions for liabilities	16	**(3,131)**	(6,193)
Net liabilities		**(25,778)**	(34,480)
Capital and reserves			
Called up share capital	19	**24,800**	24,800
Profit and loss account		**(50,578)**	(59,280)
Shareholders' funds		**(25,778)**	(34,480)

Notes to the financial statements are on pages 17 to 39.

These financial statements were approved by the Board of Directors on 31 March 2023 and were signed on its behalf by:

C. Mills
Director

Statement of Changes in Equity

at 31 March 2022

	Called up Share capital	*Profit & Loss account*	*Total equity*
	£'000	*£'000*	*£'000*
Balance at 1 April 2021	24,800	(59,280)	(34,480)
Total comprehensive income for the year:			
Loss for the year	-	(538)	(544)
Other comprehensive income	-	9,240	9,246
Total comprehensive income for the year	-	8,702	8,702
Balance at 31 March 2022	24,800	(50,578)	(25,778)

	Called up Share capital	*Profit & Loss account*	*Total equity*
	£'000	*£'000*	*£'000*
Balance at 1 April 2020	24,800	(52,914)	(28,114)
Total comprehensive income for the year:			
Profit for the year	-	352	352
Other comprehensive income	-	(6,718)	(6,718)
Total comprehensive income for the year	-	(6,366)	(6,366)
Balance at 31 March 2021	24,800	(59,280)	(34,480)

Notes to the financial statements are on pages 17 to 39.

Notes to the financial statements

at 31 March 2022

1. Accounting policies

General

NEC (UK) Ltd (the "Company") is a private company incorporated, domiciled and registered in the UK. The registered number is 1118976 and the registered address is Odyssey Business Park, West end Road, South Ruislip, Middlesex, HA4 6QE.

NEC (UK) Ltd is a wholly owned subsidiary of NEC Europe Ltd, which is a wholly owned subsidiary of NEC Corporation, the ultimate parent undertaking, which is incorporated in Japan. The consolidated group financial statements can be obtained from www.nec.com (Investor Relations/Financial Information).

Consolidated financial statements

The Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group financial statements.

These financial statements present information about the Company as an individual undertaking and not about its group.

Basis of preparation

These financial statements have been prepared on the historical cost basis and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

These financial statements have been prepared in GBP, rounded to the nearest thousand, being the company's' functional and presentation currency

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in prior periods including the comparative period reconciliation for goodwill; and

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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 have been assessed. The key assumptions within the Company's defined benefit pension scheme are included in note 17, assumptions related to Investments are included in note 11, and those related to cost to complete on an onerous contract are included in note 16.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

Notwithstanding the Company's net current liabilities of £35,671k as at 31 March 2022 and a loss for the year of £544k, the directors have prepared the financial statements on a going concern basis, and considered it appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, with support from group companies, the Company will continue to hold sufficient cash balances to enable it to continue to meet its obligations as they fall due. To fund these cash balances, an intercompany loan is made between the Company and NEC Europe Limited (the immediate parent company). NEC Europe Limited funds this loan by an intercompany loan facility it has in place with NEC Capital (UK) Plc, which is funded by NEC Corporation (the ultimate parent company).

The directors of NEC Europe Limited have provided confirmation to the Company that NEC Europe Limited intends, and has the ability, to continue to provide additional financial support sufficient to enable the Company to continue to operate for a period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

This financial support to the Company is dependent upon the financial position of NEC Europe Limited. As at 31 March 2022, the loan facility that NEC Europe Limited could draw down from NEC Capital (UK) Plc was €175.2m, with a due date of May 2022. At 31 March 2022 the amount drawn was €116,663,448 (2021: €139,564,155). As of the date of signing these financial statements the total loan facility has been renewed and the amount NEC Europe Limited can draw down is €138.0 million with a due date of 31 May 2023. As at the date of approval of these financial statements, €18.6 million of this facility remains undrawn and available. NEC Europe Limited's financial support to the Company is dependent on NEC Capital (UK) Plc renewing the facility beyond the current due date of May 2023. The Directors of NEC Europe Limited anticipate that the loan facility will be renewed in May 2023 for a further year at a similar amount to the current draw down limit.

Written confirmation has been provided to the NEC Europe Limited's directors by NEC Corporation, that, if funding is request in the event that the existing facility is not renewed NEC Corporation intends to provide additional financial support sufficient to enable NEC Europe Limited and its subsidiaries, including the Company, to operate and meet their liabilities for a period of at least 12 months from the date of approval of these financial statements.

The Directors have considered the ability and intent of NEC Corporation to provide financial support and, while the directors acknowledge that there can be no certainty that this support will be provided, at the date of approval of these financial statements, they have no reason to believe that it will not.

The directors of the Company therefore have sufficient assurance that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Therefore, they continue to adopt the going concern basis in preparing the annual financial statements.

Financial instruments

(i) *Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All loans and debtors are initially measured at fair value then subsequently at amortised cost.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- 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.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

Sales / Purchases

Purchases and sales of financial assets are accounted for at the trade date.

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.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities and equity

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 derecognition is also recognised in profit or loss.

(iv) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held).

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The company considers this to be Baa3 or higher per rating agency Moodys.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

The Company also considers longer term macro events and adjusts the ECL used rate accordingly.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

(v) Derecognition

Financial assets

The Company derecognises a financial asset when:
- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Turnover

Revenue arises mainly from the sale of telecommunications hardware and software, after-sales spares maintenance, and contracts for the construction of telecommunication systems.

To determine whether to recognise revenue, the Company follows a 5-step process:

1 Identifying the contract with a customer

2 Identifying the performance obligations

3 Determining the transaction price

4 Allocating the transaction price to the performance obligations

5 Recognising revenue when/as performance obligation(s) are satisfied.

The Company enters into transactions involving a range of the NEC Group's goods and services, for example the delivery of telecommunications hardware, software and related after-sales service. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Revenue is recognised either at a point in time or over time, when the Company satisfies performance obligations by transferring control of the promised goods or services to its customers.

The Company acts as an agent, rather than the principal, in certain contracts. This occurs when another party is involved in providing goods and services to the customer and the Company does not control the goods and services before they are transferred to the customer. In these circumsatances the Company recognises an agent fee in revenue once the performance obligation is satisfied.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as accruals and deferred income in the statement of financial position (see Note 14). Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises a trade receivable in its statement of financial position when it invoices the customer and has a contractual right to receive cash. The Company recognises a contract asset in its statement of financial position when the Company's right to consideration in exchange for goods or services is conditioned on something other than the passage of time.

Goods and Software

Revenue from the sale of goods for a fixed fee is recognised when the Company transfers control of the assets to the customer. The Company sells the right to use software licences, with revenue recognised when the customer is able to first access the IPR rights of the software. Invoices for goods and software transferred are due upon receipt by the customer.

Provision of Services

The Company enters into fixed price maintenance and spares management contracts with its customers. Revenue is recognised over time based on the output method, which looks at the measure of progress of the asset being transferred to the customer or the input method, which looks at the resources used to date to create the asset being transferred. The Company chooses the method most appropriate for the nature of the contract and the pattern of delivery of the performance obligation. The Company consistently applies the same method for similar contracts.

The Company provides consulting services relating to the design of telecommunications systems strategies and IT security. Revenue from these services is recognised on a time-and-materials basis as the services are provided.

Construction of telecommunication systems

The Company has entered into a long term contract for the design and installation of a telecommunication systems in exchange for a fixed fee and recognises the related revenue over time. The contract is split into work packages where acceptance certificates are received from the customer when control is passed from the Company. The transaction price of the contract is allocated to each work package based on their stand alone selling process. The revenue is recognised when the acceptance certificate is received and the performance obligations are satisfied. The contract is loss making and the Company has recognised the full costs of meeting the obligations under the contract following IAS 37.

Goodwill and intangible assets

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

Other intangible assets, including computer software, that are acquired by the Company aand have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Provision is made for depreciation at rates calculated to write off the cost of fixed assets in equal annual instalments over their estimated useful lives. Depreciation is accounted as part of Sales and Distribution cost.

The principal annual rates in use are:

Freehold property	-	2% straight line basis per annum
Leasehold improvements	-	10% or over the period of the lease if shorter
Motor vehicles	-	25%
Plant and equipment	-	20-33%

During the financial year the useful lives and carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks and long term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated on the basis of the sales value of milestones being achieved and completion of individual units of contract during the year by reference to the total sales value and progress of these contracts. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen. Long-term contract balances included in stocks comprise costs incurred on long-term contracts, net of amounts transferred to cost of sales, after deducting foreseeable losses and related payments on account.

Other stocks are stated at the lower of cost or net realisable value. The cost price is calculated on an average weighted basis and includes the stock unit cost, inbound freight charges and any duties. Provision is made for obsolete or slow moving items where appropriate.

Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss 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.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency 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.

Non-monetary assets and liabilities denominated 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.

Any gain or loss arising from a change in exchange rates subsequent to the date of a transaction is included as an exchange gain or loss in the profit and loss account.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is , or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company makes an assessment applying the criteria of IFRS 16.

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. However, for the leases of buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Company remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Company presents right-of-use assets that do not meet the definition of investment property in 'tangible fixed assets' and lease liabilities in 'creditors' in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Employee benefits

Pension costs- 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 profit and loss account in the periods during which services are rendered by employees.

The Company also operates a stakeholder pension scheme. The amount charged to the profit and loss account represents the contribution payable to the scheme in respect of the accounting period.

NEC (UK) Limited, in conjunction with other fellow subsidiary undertakings of NEC Corporation, operates a defined benefit staff pension scheme, which requires contributions to be made to a separately administered fund. The contribution amounts is agreed between the pension trustees and the principal employer and is based on the company's liabilities at the valuation date.

Pension scheme assets are measured using market values. For quoted and unitised securities the current bid price is taken as market value. The cost of providing benefits under the defined benefit plans is determined separately for the plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested.

The interest cost and the expected return on assets are shown as net amount of other costs or credits adjacent to interest.
Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair-value of plan assets out of which the obligations are market price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme. The defined benefit pension asset valuation is presented within fixed assets.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Reserves

The Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustment

2. Turnover

(i) Disaggregation of revenue

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of value added tax. In the following table, revenue is disaggregated by primary geographical market and major product / service lines.

Analysis of turnover by activity	*2022*	*2021*
	£'000	*£'000*
Sale of goods and software	1,941	3,537
Provision of services	7,496	6,717
Long term contract	1,325	2,157
	10,762	12,411

Analysis of turnover by geographical market	*2022*	*2021*
	£'000	*£'000*
United Kingdom	10,493	12,126
Other origins	269	285
	10,762	12,411

(ii) Contract balances

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers.

	2022	*2021*
	£'000	*£'000*
Receivables	8,235	5,478
Contract Assets (Current)	457	2,210
Contract Liabilities (Current)	247	196
Contract Liabilities (Non-Current)	1,790	1,983

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date on a Telecommunications design and installation contract. For the onsite installation, work is carried out and customer acceptance issued for the work performed.

The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities relate to the advance consideration received from customers for services to be delivered in the future, or amounts invoiced in respect of performance obligations which are not yet satisfied in full.

(ii) Contract balances

The amount of revenue recognised in the current period from performance obligations satisfied (or partially satisfied) in previous periods was £1,375,000 (2021: £1,597,000).

The amount of revenue recognised in the current period that was included in the contract liability balance at the beginning of the period was £84,765 (2021: £62,000).

(iii) Transaction price allocated to the remaining performance obligations

The Company has remaining performance obligations at the reporting date of £6,008,020 (2021: £8,662,000): Less than one year £947,419 (2021: £2,654,000); Greater than one year and less than 5 Years £5,060,601 (2021: £4,951,000); Greater than 5 years £0 (2021: £1,057,000).

3. Profit before taxation

Profit on ordinary activities before taxation is stated after charging / (crediting)

	2022	*2021*
	£'000	*£'000*
Operating lease rental – land and buildings	265	258
Depreciation	141	161
Depreciation of Right-of-use assets	200	195
Profit on disposal of fixed asset	(16)	(61)
Net foreign exchange loss/(gains)	79	(67)
Commission & retainer fee	(3,060)	(4,100)

Auditors' remuneration:		
- Audit of these financial statements	145	118

Fees paid to the Company's auditors, KPMG LLP and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements. This is on the basis that such fees are disclosed in the financial statements of the Company's parent, NEC Europe Limited.

4. Other interest receivable and similar income

	2022	*2021*
	£'000	*£'000*
Group interest receivable	1	-
Other interest receivable	-	235
	1	235

5. Interest payable and similar expenses

	2022	*2021*
	£'000	*£'000*
Group interest payable	349	322
Other interest payable	12	138
	361	460

6. Staff numbers and costs

	2022	*2021*
	£'000	*£'000*
Wages and salaries	4,419	5,318
Social security costs	471	624
Pension costs	311	355
	5,201	6,297

The monthly average number of employees employed (excluding directors) during the year was as 80 (2021: 89). All employees are employed in the UK.

The charge relating to the defined contribution pension scheme for the period represents contributions payable by the Company to the scheme and amounted to £311,424 (2021: £354,753). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

7. Directors' emoluments

The aggregate directors' emoluments amounted to £nil (2021: £nil).

8. Tax

Recognised in the profit and loss account

	2022	*2021*
	£'000	*£'000*
The tax charge/(credit) is made up as follows:		
Current tax:		
UK corporation tax at 19% (2020 – 19%)	-	-
Adjustments in respect of previous years	-	-
Taxation on overseas profits	-	-
Total current tax charge/(credit)	-	-

Deferred tax:		
Originating and reversal of timing differences	-	-
Prior year adjustment	-	-
Withholding tax on Defined Benefit Asset	(60)	(15)
Total deferred tax	-	-
Tax on loss/(profit) on ordinary activities	(60)	(15)

Reconciliation of tax expense

	2022 *£'000*	*2021* *£'000*
(Loss)/Profit for the year	(538)	352
Total Tax	(60)	(15)
(Loss)/Profit on ordinary activities before taxation	(598)	337
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 19% (2020: 19%)	(114)	64
Expenses not deductible for tax purposes	-	2
Withholding tax on Defined Benefit Asset	(60)	(15)
Adjusted relief on pension contributions paid	-	-
Capital allowances deductible for tax purposes	(67)	(83)
Depreciation not deductible for tax purposes	27	31
Current year profits offset against carry forward losses	154	(14)
Total tax expense	(60)	(15)

The directors reviewed the Deferred tax balances at 31 March 2022 and they cannot predict with sufficient certainty the generation of taxable profits against which they would be realised. The Company has not recognised deferred tax assets at 19% in respect of tax losses carried forward of £809,195 as per 31 March 2021 (2020: £2,027,979). This number is based on the draft corporate tax return for the financial year ended 31 March 2021 and final tax computation of 31 March 2020. As per 31 March 2022 the cumulative carry forward losses amount to £70,871,220 (2021: £70,062,025).

The directors consider sufficient analysis has been undertaken in respect of periods up to 31 March 2021 to recognise submitted and anticipated group relief claims within the NEC Europe Limited group, but no such claims have yet been assessed or recognised in respect of the year ended 31 March 2022. The impact of group relief claims in respect of other UK entities within the NEC Corporation group is recognised when a claim is submitted and there is reasonable certainty it will be agreed.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and 18% (effective 1 April 2020) were substantively enacted on 26th October 2015.

An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 budget, it was announced that the UK tax rate will remain at 19% and not reduce to 17% from 1 April 2020. This was substantively enacted on 17 March 2020 and the deferred tax at 31 March 2020 and 31 March 2019 has been calculated based on this rate. In the 3 March 2021 budget it was announced that from 1 April 2023 the corporate income tax rate will remain at 19% for UK companies with profits of up to £50,000, with companies with profits between £50,000 and £250,000 paying at a tapered rate. The upper UK corporation tax rate will rise to 25% from 1 April 2023 for UK companies with profits in excess of £250,000.

9. Intangible assets

	NEC Infrontia Goodwill £'000	*Computer Software £'000*	*Total £'000*
Deemed cost:			
At 1 April 2021	141	25	166
Additions	-	-	-
Charged for the year	-	(6)	(6)
At 31 March 2022	141	19	160

10. Tangible fixed assets

Tangible fixed assets comprise owned and leased assets that do not meet the definition of investment property. There are no restrictions on title or any pledges.

	2022 £'000	*2021 £'000*
Tangible fixed assets owned	50	204
Right-of-use assets	210	410
Total tangible fixed assets	260	614

Tangible fixed assets owned:

	Plant & Equipment £'000	Motor Vehicles £'000	Leasehold Improvement £'000	Total £'000
Cost:				
As at 1 April 2021:	199	274	410	883
Additions:	-	-	-	-
Disposals:	(20)	(189)	(41)	(250)
At 31 March 2022	179	85	369	633
Depreciation:				
At 1 April 2021:	160	209	310	679
Charge for the year:	10	50	81	141
Disposals:	(7)	(189)	(41)	(237)
At 31 March 2022	163	70	350	583
Net book value:				
At 31 March 2022	16	15	19	50
At 31 March 2021	39	65	100	204

Right-of-use assets:

The Company leases an office building and some office equipment. Information for which the Company is a lessee is presented below. The Company classified these as operating leases under IFRS16.

	Property €'000
Balance as at 1 April 2021	410
Additions	-
Depreciation charge for the year	(200)
Balance as at 31 March 2022	210

The Company leases its office building. The non-cancellable period of the lease ends in December 2022 with an option to extend the lease.

The Company leases some office equipment. In case the non-cancellable term of these leases is 12 months or less (at the date of initial application or inception of the lease going forward) the Company elects to apply the recognition exemption for short-term leases to these leases. The Company also elects to apply the recognition exemption for leases of low-value assets to these leases.

11. Investments

Cost:	*Subsidiary undertakings* *£'000*	*Total* *£'000*
Balance at 1 April 2021	3,021	3,021
Balance at 31 March 2022	3,021	3,021

Name of Company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*	*Country of incorporation*
NEC Displays Solutions (UK) Ltd	Ordinary Shares	100%	Non operating company	England & Wales

Registered Office: Athene, Odyssey Business Park, West End Road, South Ruislip, HA4 6QE.

12. Stock

	2022 *£'000*	*2021* *£'000*
Finished goods and goods for resale	223	230
Long-term contract balances	-	81
	223	311

Changes in finished goods and work in progress recognised as cost of sales in the year amounted to £4,273,416 (2021: £8,708,837). Total gross stock amounts to GBP 500,000 (2021: GBP 528,000) with a provision of obsolescence of GBP 277,000 (2021: GBP 217,000).

13. Debtors

	2022 £'000	2021 £'000
Due within one year:		
Trade debtors	8,235	5,478
Amounts due from ultimate parent undertaking	4	892
Amounts due from parent undertaking	6,538	341
Amounts due from fellow subsidiary undertakings	172	340
Other debtors	-	137
Prepayments and accrued income	727	3,381
	15,676	10,569

The amounts due from Parent Undertaking are unsecured, repayable on demand and interest free. Included within prepayments and accrued income are contract assets of £456,880 (2021: £2,210,000) which have not yet been invoiced to customer.

14. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	737	1,400
Amounts due to ultimate parent undertaking	4,192	1,694
Amounts due to parent company undertaking	43,885	38,527
Amounts due to credit institutions	-	98
Taxation and social security	1,273	162
Contract liabilities	247	196
Accruals and deferred income	1,243	959
	51,577	43,036

Included within the amounts due to parent company undertaking is £42,888,000 (2021: £37,629,000) a cash loan from NEC Europe Limited as part of the cash pooling arrangement. Interest is charged on this cash loan at 1.25% and the Group facility is reviewed on an annual basis in May.

15. Creditors:

Amounts falling due after more than one year

	2022	*2021*
	£'000	*£'000*
Withholding tax	6,130	1,214
Lease liabilities	13	213
Deferred income from contract liabilities	1,790	1,983
	7,933	3,410

Deferred income from contract liabilities of £2,037,000 (2021: £2,068,000) has been invoiced to customer but is waiting for a future obligation to be performed before it is recognised in revenue. Of these contract liabilities £247,000 (2021: £196,000) has a shorter than 1 year character and is presented under Creditor amounts falling due within one year.

Movement in withholding tax

	1 April 2021	*Recognised in income*	*Recognised in equity*	*31March 2022*
	£'000	*£'000*	*£'000*	*£'000*
On Defined Benefit Pension Surplus	1,214	(60)	4,976	6,130
	1,214	(60)	4,976	6,130

	1 April 2020	*Recognised in income*	*Recognised in equity*	*31March 2021*
	£'000	*£'000*	*£'000*	*£'000*
On Defined Benefit Pension Surplus	4,846	(15)	(3,617)	1,214
	4,846	(15)	(3,617)	1,214

The withholding tax relatcs to 35% of the Defined Benefit Pension Surplus which would be withheld by the pension trustees on repayment.

16. Provision for liabilities

	Property dilapidations	*Onerous contract*	*Restructure*	*Total*
Balance at 1 April 2021	111	6,082	-	6,193
Provisions used during the year	-	(177)	-	(177)
(increase) of provision	71	(3,854)	898	(2,885)
Balance at 31 March 2022	182	2,051	898	3,131
Balance at 1 April 2020	97	10,226	-	10,323
Provisions used during the year	-	(4,144)	-	(4,144)
(increase) of provision	14	-	-	14
Balance at 31 March 2021	111	6,082	-	6,193

Property Dilapidations

The Company has leasehold properties and is committed to pay for dilapidation costs at the end of the lease period. In determining the provision, advice was given in January 2014 by an independent Chartered Surveyor on the expected cash flows and these have been discounted on a pre-tax basis at a rate of 5% per annum. The expected economic outflow is dependent on the end of lease period and is longer than one year.

Onerous contract

The Company has been engaged in a long term network replacement project for several years. The estimated profit and loss account include assumptions regarding the time frame for delivering and cutting over of the solution, the solution mix for the service provided and the costs of those solutions, and that milestones in place as at the balance sheet date are sufficiently met. Any change in the solution option provided or delays in the completion of the project beyond what has been anticipated would increase overrun costs. As at the balance sheet date no significant delays or solution changes are expected to occur.

Restructure

The restructure provision relates to the restructuring of the Company's activities to moving towards a more efficient way of working following the transfer of the Displays business to the NEC Sharp joint-venture. The total estimated amount is approximately EUR 0.9 million.

17. Defined benefit pension scheme

The Company is a member of a defined benefit pension scheme. The principal employer of the scheme is NEC Europe Limited which is an entity wholly owned by NEC Corporation. Company employees are ineligible to join this scheme as it is closed for new members. The scheme provides final salary defined benefits and is funded by the participating companies. For funding purposes a full actuarial valuation of the defined benefit pension scheme was undertaken at 30 June 2018 by Mercer Limited, a qualified independent actuary.

The fund assets are administered by trustees and held separately from the participating companies' finances.

For the statutory accounts ending 31st March 2022 the principal employer received a report from Isio Group, a qualified independent actuary, on the valuation of the scheme under FRS 101.

The Company's share of the underlying assets and liabilities set out below.

	2022 £'000	2021 £'000
Total Defined Benefit Liability	(76,316)	(83,540)
Total Defined Benefit Asset	93,832	87,010
Net surplus for defined benefit obligations	17,516	3,470

The underlying assets and liabilities set out below is in respect of the whole scheme are based on the independent actuary's report.

	2022 £'000	2021 £ '000
Total Defined Benefit Liability	(198,270)	(215,013)
Total Defined Benefit Asset	247,390	246,620
Net Asset for defined benefit obligations	49,120	31,607

	Multi-employer Scheme		**Company Portion**	
	2022	2021	2022	2021
Change in defined benefit obligation				
As at 1 April	215,013	185,283	83,540	71,987
Interest cost	4,237	3,952	1,646	1,500
Past service cost	-	197	-	68
Re measurements:				
Actuarial losses (gains) from changes in financial assumptions	(16,092)	31,047	(6,248)	12,064
Actuarial (gains)/losses from changes in demographic assumptions	(2,915A)	(145)	(1,134)	(56)
Actuarial (gains) from experience adjustments	4,390	(265)	928	(103)
Benefits paid	(6,364)	(5,056)	(2,416)	(1,920)
As at 31 March	198,270	215,013	76,316	83,540
Change in fair value of plan assets				
As at 1 April	246,620	242,885	87,010	85,833
Administrative expenses	(631)	(635)	(240)	(241)
Interest income on plan assets	4,863	4,999	1,716	1,767
Return on plan assets excluding interest income	2,902	4,427	7,762	1,571
Employer contributions	-	-	-	-
Benefits paid	(6,364)	(5,056)	(2,416)	(1,920)
Balance at 31 March	247,390	246,620	93,832	87,010

Costs relating to defined benefit Plans

Past service cost	-	197	-	68
Interest on DBO	4,237	3,952	1,646	1,500
Interest income on plan assets	(4,863)	(4,999)	(1,716)	(1,767)
Reduction in Accounting liability from Retirement Transfer Offer (RTO)	-	-	-	-
Administrative expenses	631	635	240	241
Included in Profit and Loss account	5	(215)	170	42

Under the Scheme's Rules, benefits in excess of GMP built up prior to 5 April 1997 do not automatically increase in payment but are eligible for discretionary increases. For 2020, the Group has recognised an additional accounting liability of £9.1m as a past service cost reflecting the discretionary increase awarded during the year and also a constructive obligation under FRS 101 to provide future discretionary increases. It is assumed that discretionary pension increases will be awarded each year at the level of the change in the RPI capped at 2.5%.

	Multi-employer Scheme		**Company Portion**	
	2022	2021	2022	2021
Re measurements				
Effect of changes in financial assumptions	16,092	(31,047)	6,248	(12,064)
Effect of changes in demographic assumptions	2,915	145	1,134	56
Effect of experience adjustments	(4,390)	265	(928)	103
Return on plan assets excluding interest income	2,902	4,427	7,762	1,570
Included in Other comprehensive income	17,519	(26,210)	14,216	(10,335)
Fair value of Plan Assets				
Assets with a quoted price in an active market				
Cash and cash Equivalents	-	-	-	
Equity instruments	21,020	26,331	7,973	9,290
Debt instruments	124,033	124,033	47,044	43,760
Real Estate	-	-	-	-
Other	12,785	12,345	4,849	4,355
Total	157,838	162,709	59,866	57,405
Assets without a quoted price in an active market				
Cash and cash Equivalents	1,954	3,545	741	1,251
Equity instruments	11,890	11,890	4,510	4,195
Debt instruments	74,487	67,255	28,252	23,728
Real Estate	-	-	-	-
Other	1,221	1,221	463	431
Total	89,552	83,911	33,966	29,605

The pension scheme does not hold any assets relating to the Company, or any transferable financial instruments related to the value of the Company.

The major assumptions used by the actuary to calculate the group defined benefit liability are set out below:

	2022	*2021*
	%	*%*

Rate of increase in pensionable salaries	n/a	n/a
Discount rate	2.55	2.00
Inflation assumption RPI	3.45	3.15
Rate of pension increase	2.68	2.45

The assumptions have been calculated with reference to the duration of the scheme's liabilities of approximately 22 years.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard S3PA light YOB tables weighted by 107%/110% for male/female pensioners and 113%/109% for male/female non-pensioners, and CMI 2017 core projections with long term rate of 1.5% per annum. The life expectancy for males currently aged 65 is 22.5 years and for females currently aged 65 is 24.0 years.

Sensitivity analysis

The table summarises what the total of the Multi-Employer Scheme defined benefit obligation at the end of the reporting period would have been as a result of an increase in the respective assumptions by 0.25%.

	2022	*2021*
	£'000	*£'000*
Discount rate	(9,118)	(10,869)
Inflation	6,297	7,193
RPI	2,608	2,524
CPI	3,639	4,610

In valuing the liabilities of the pension fund at 31st March 2022 mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31st March 2022 would have increased with an amount of £6,125,980 (2021: £6,141,000) before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 30th June 2018 are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the Multi-Employer Scheme is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. The last actuarial funding valuation was carried out as at 30th June 2018 by Mercer Limited.

The company's funding requirements are measured based on their specific liabilities and an apportionment of the orphan companies. If the company withdrawals from the scheme they are required to meet their outstanding funding commitments before leaving.

The Multi-Employer Scheme is a Last Man Standing scheme. If the scheme is wound up the pension trustees will use any part of the Scheme left after they have satisfied all liabilities to pay to the Participating Employers in any proportion the trustees decide

No company contributions were paid into the pension scheme over the period. No contributions are expected to be made over the next financial year, in line with the current funding agreement with the trustees.

18. Other financial commitments

Following the implementation of IFRS 16 Leases the other financial commitments under non-cancellable operating leases are accounted for as part of 'Creditors:amonts falling due within one year' (Note 14) and 'Creditors: amounts falling due after more than one year' (Note 15).

19. Issued share capital

	2022	*2021*
	£'000	*£'000*
Allotted, called up and fully paid		
24,799,610 Ordinary shares of £1 each	24,800	24,800

20. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is NEC Corporation, which is incorporated in Japan. The immediate parent company is NEC Europe Limited. The smallest and largest group in which the results of the company are consolidated is that of NEC Corporation. The accounts of the ultimate holding company, which heads the largest group in which the results of the Company are consolidated are available to the public at Athene, Odyssey Business Park, West End Road, South Ruislip, Middlesex, HA4 6QE, as well as the address of the ultimate parent company, NEC Corporation, 7-1, Shiba 5-chome, Minato-ku, Tokyo, Japan.