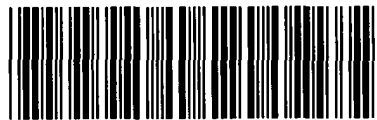


Fujitsu Research of Europe Limited

**(formerly registered as Fujitsu
Laboratories of Europe Limited)**

Directors' report and financial statements
Registered number 4153469
31 March 2021

WEDNESDAY



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COMPANIES HOUSE

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Strategic Report

Fujitsu Research of Europe ("Company") is a company incorporated in England and Wales with a Branch Office in Spain. As stated in the Directors' Report, the Company name was changed from Fujitsu Laboratories of Europe Limited to Fujitsu Research of Europe Limited in April 2021. During the financial year, the Company was a wholly owned subsidiary of Fujitsu Laboratories Limited ("FLL"), a company which is incorporated in Japan and which during the year was a wholly owned subsidiary of Fujitsu Limited ("Fujitsu"), a company which is also incorporated in Japan. As a result of the merger of FLL and Fujitsu effective 1 April 2021, Fujitsu became the sole shareholder of the Company on that date.

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 central role in creating the cutting-edge technologies needed for Fujitsu to achieve its clear defined purpose "to make the world more sustainable by building trust in society through innovation".

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 Fujitsu 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 Coronavirus pandemic meant that many of the technology and innovation forum events which, in previous years, have been held in various locations throughout the world were replaced by virtual online events to ensure the safety of attendees and reflect governmental advice. The Company participated in many of the Fujitsu virtual gatherings in addition to those hosted by third parties, all of which offered the opportunity to promote the reputation and ethos of Fujitsu and demonstrate the technological advances made by the Company and its commitment and contributions to development of ethical, explainable and 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 financial year, the Company participated at the AI4People's virtual Annual Summit (Yr-3) where a new submission plan to the EC was announced which includes proposals for a new Digital Europe Programme and industry-specific recommendations for 7 AI Global Frameworks intended to help in testing and creating regulatory sandboxes which will spearhead the AI Global Mark of Compliance Initiative (AIGMC). The European Union is in the leading position to set the AI ethical framework and be a Global rule-setter, shaping AI regulation based on common standards and on data governance.

Strategic Report (Continued)

The next focus activities for AI4People, due to be launched in June 2021, will be to build a two year consensus initiative which anticipates incubation for new standards & solutions, certifications & codes of conduct, and consensus building for ethical implementation of AI. The aim of the consensus initiative being to establish common, internationally recognised, industry-specific ethical standards for the design, production, use and governance of AI. The contributions and active participation by the Company in AI4People initiatives have played a key role in increasing the visibility and reputation of Fujitsu as a major leader in promotion and development of trusted AI and underpins the Fujitsu ethos and mission of building trust in society through innovation.

The Company participated in the United Nations' AI for Good Global Summit Perspective 2021.

2 *Ground-breaking research and technologies*

Innovation activities in the financial regulatory sector has continued with the focus on Hyper-Automation a concept which is aimed at improving work processes by automation with humans. Given wide scope of this field of implementation, the Company has focused its initial activities on Regulatory Digital Transformation (RDX) from data where many regulators and regulated companies are currently investigating methods to digitalise company reporting and assessment. RDX will provide insights into the economic health of and risks facing a company to inform global investors and overseas business.

The Company continued its research in development of real use case enhancements to the Fujitsu Digital Twin technology in order to enhance the technology by incorporating predictive models into streaming data processing and thus contribute to the differentiation of the Fujitsu technology over competing digital twin offerings. During the financial year the Company developed enhancements to the current state of art and successfully demonstrated those enhancements in proactive solutions to reduce technical uncertainty related to how streaming data can be utilised in digital twin for specific use cases.

Building on the AI decentralised text mining and named entity recognition technologies developed during the previous year the Company expanded its genomics innovation activities in the automated clinical encoding healthcare environment, participating in the CLEF e-Health 2020 Challenge - successfully achieving 1st position in one subtask and 3rd position in the other two subtasks - and in the first Multilingual clinical NLP workshop (MUCLIN) as part of the conference Medical Informatics Europe (MIE).

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

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 (HPC) 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.

As part of the global Fujitsu Laboratories, the Company worked closely with FLL to develop and customize Fujitsu's cyber security technologies in order to apply them to virtual security operations centres (VSOC) and to evaluate those technologies with real customer data. This resulted in development of novel techniques combining in-depth knowledge of cyber security with AI technologies to detect sophisticated security attacks to enhance Fujitsu's VSOC technology portfolio.

The Company contributed to global business development and global recognition in the Fujitsu ActivateNow digital experience, demonstrating the newly developed 3D Object Detection technology for Large 3D point clouds which enables significant improvement of position detection accuracy of object detection..

Strategic Report (Continued)

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 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. Of special note was the development of deep learning algorithms for image recognition in industrial applications particularly in manufacturing industry. The algorithms can be applied to a wide variety of images with a wide variety of anomalies. The resulting Denoising Reconstructive Auto-Encoder (DeRA) has been proved to be the best having been evaluated on a public benchmark with varieties of anomalies with the resulting press release: 'Fujitsu Develops AI for Image Inspection to Detect Abnormalities in Product Appearance with World- Leading Precision in Key Benchmark' and at the Fujitsu Laboratories Spring Forum April 2021.

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;
- Completion of contracted innovation and technological developments on time and within the agreed budget;
- Contribution to Fujitsu's cutting-edge achievements as evidenced 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, publications and participation at high-profile virtual events.

Principal Risks and Uncertainties

The Company performs research and development, innovation to support the role of its parent company, which during year was Fujitsu Laboratories Limited. As an integral part of the Fujitsu Group, the Company does not perform work for non-Fujitsu organisations and relies on the securing funding from 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. The re-structuring has resulted in the Company's activities during financial year being more closely integrated with those of other Fujitsu Laboratories in Japan, USA and China. The virtual Laboratories has provided significantly more opportunities for the Company to participate at many levels in the creation and development of ground-breaking technologies designed for global distribution. At the beginning of 2021, Fujitsu announced the merger of FLL into Fujitsu to take effect from 1 April 2021. This has resulted in the full integration of the Global Laboratories within Fujitsu and operating as Fujitsu Research. This has preserved the status of the Company as a separate legal entity within the Fujitsu Group.

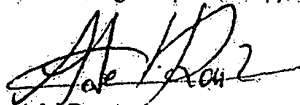
Strategic Report (Continued)

Organisation and Research Themes

The Company organisational structure and research themes during the financial year reflect the core activities of the Company:

- Artificial Intelligence research (AIR) with focus on ethical AI, explainable AI, advance deep learning, predictive learning and creative information analytics. AIR research is spread between the Hyde Park Hayes 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
- Digital Transformation research encompassing, AI for cyber security and Regulatory AI 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} Oct. 21 and signed on its behalf by:


Adel Rouz
Director

Directors' Report

The Board of Directors

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

Hiroataka Hara	(Chairman)
Ken Toyoda	
Adel Rouz	
Susan Everson	(Company Secretary)

Post period resignations

None

Post period appointments

None

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

Other post period significant events

Change in shareholder:

On 1 April 2021, Fujitsu Limited became the sole shareholder of the Company.

Change of Company name:

On 23 April 2021 the name of the Company changed to Fujitsu Research of Europe Limited. This change was also reflected in the change of name of the Company Branch in Spain, which was registered on 12th July 2021

Political and charitable contributions

The Company made no charitable contributions during the financial year (2020: nil);
No political donations were made during the financial year (2020: 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

During the financial year, the UK's exit from the European Union ("Brexit") transition phase was in operation for nine months. From 1 January 2021 the transition phase ended and the UK was no longer part of the European Union. The Company experienced no adverse impacts or risks associated with funding, bank transactions and Inter-Company arrangements during this period. The Company continues to be satisfied that it has procedures and processes in place to operate in the post-Brexit regime and 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.

Directors' Report (Continued)

Impact of Covid-19

Having experienced the impact of Covid-19 during the financial year, the Company continues to regularly review the effects that Covid-19 may have on the Company and its ability to fulfil its research commitments under Inter-Company arrangements. The Company is satisfied that the procedures and processes which have been implemented during the financial year are appropriate and will be effective to deal with the impact of any new Covid-19-related scenarios which may arise even though it expects that the impact will continue to be minimal.

Going Concern

The financial statements have been prepared on a going concern basis, which the Directors have assessed to be appropriate.

The merger by absorption of Fujitsu Laboratories Limited into Fujitsu Limited with effect from 1 April 2021 means that Fujitsu Limited is now the sole shareholder of the Company with effect from that date. The financial statements for the period ended 31 March 2021 show that the Company has a strong cash reserve and it has no external loans.

R&D funding has been secured for financial year commencing 1 April 2021 and, based on management cash flow analysis prepared for the period 1 April - 31 October 2022, the Company is forecast to be liquid. Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and, that there are no events nor circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

Dividends

The directors do not recommend the payment of a dividend 2021 (2020: nil). Therefore, the retained profit for the financial year has been transferred to reserves.

International Financial Reporting Standards


The Company has applied International Accounting Standards in conformity with the requirements of the Companies Act 2006. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

Auditor

Ernst and Young (E&Y) LLP served as auditor for financial year ended 31 March 2021.

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
Hydc Park Hayes
11 Millington Road
Hayes
UB34AZ

08th October 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 ;
- 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 Research of Europe Limited (formerly: Fujitsu Laboratories of Europe Limited)

Opinion

We have audited the financial statements of Fujitsu Research of Europe Limited (the 'Company') for the year ended 31 March 2021 which comprise the Income Statement, the Statement of Comprehensive Income, Balance Sheet, the Statement of Changes in Equity and the Cash Flow Statement, and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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. 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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 31 October 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained with the annual report.

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.

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 course of 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

themselves. 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 8, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are Companies Act 2006 and International Accounting Standards as well as the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its domestic operations, including health and safety, employees, data protection and anti-bribery and corruption.
- Based on our understanding we designed our audit procedures to identify non-compliance with these laws and regulations and to respond to the assessed risks. Our procedures included verifying that material transactions are recorded in compliance with International Accounting Standards and where appropriate Companies Act 2006. Compliance with other operational laws and regulations was covered through inquiry with management and the Directors, reading board minutes and correspondence with relevant authorities with no indication of non-compliance identified.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur through internal team conversations and inquiry of management and those charged with governance. Based on these procedures we determined there to be a risk of management override relating to expense recognition.
- We selected a sample of expense transactions recognised and performed detailed testing. This involved validating expenses recognised in the period against source documentation including 3rd party invoices and bank statements.
- The risk of material misstatement through management override was addressed through testing journal entries and other adjustments for appropriateness.

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. Tumor (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
8th October 2021

Income Statement

for the year ended 31 March 2021	Note	2021	2020
		£	£
Revenue		4,880,415	5,451,729
Other income		265,028	213,261
Research and development expenditure	7	(3,936,234)	(4,136,477)
Gross profit		1,209,209	1,528,513
Administrative expenses		(551,811)	(660,238)
Operating profit		657,398	868,275
Financial income	6	946	3,895
Exchange loss	6	(25,717)	(42,831)
Net finance expense		(24,771)	(38,936)
Profit before tax		632,627	829,339
Taxation		(5,329)	(6,094)
Profit for the year		627,298	823,245

Statement of Comprehensive Income for the year ended 31 March 2021

	2021	2020
	£	£
Profit for the year	627,298	823,245
Total comprehensive income	627,298	823,245


The notes on pages 15 to 33 form part of these financial statements.

Balance Sheet
As at 31 March 2021

	Note	2021	2020
		£	£
Non-current assets			
Property, plant and equipment	9	108,058	69,225
Rent Deposit		34,829	34,829
Intangible assets	10	15,975	-
Deferred tax asset	12	102,624	116,247
		<u>261,486</u>	<u>220,301</u>
Current assets			
Other financial assets	11	604,445	603,502
Trade and other receivables	13	1,169,476	1,814,732
Cash and cash equivalents	14	5,658,952	4,403,926
		<u>7,432,873</u>	<u>6,822,160</u>
Total assets		<u>7,694,359</u>	<u>7,042,461</u>
Non Current liabilities			
Lease Liability	15	19,118	-
Current liabilities:			
Trade and other payables	15	962,828	957,346
Total liabilities		<u>981,946</u>	<u>957,346</u>
Equity			
Share capital	17	670,000	670,000
Retained earnings		6,042,413	5,415,115
Total equity		<u>6,712,413</u>	<u>6,085,115</u>

The notes on pages 15 to 33 form part of these financial statements.

These financial statements were approved by the board of directors on 8th Oct 21 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 2021

	Share capital £	Retained earnings £	Total Equity £
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>
Balance at 1 April 2020	670,000	5,415,115	6,085,115
Total comprehensive income Profit for the period	-	627,298	627,298
Balance at 31 March 2021	<u>670,000</u>	<u>6,042,413</u>	<u>6,712,413</u>

The notes on pages 15 to 33 form part of these financial statements.

Cash Flow Statement
 for the year ended 31 March 2021

	Note	2021	2020
		£	£
Cash flows from operating activities			
Profit for the year		627,298	823,245
Adjustments for:			
Depreciation, amortisation and impairment		112,034	23,643
Financial income	6	(946)	(3,895)
Exchange Loss	6	8,028	3,412
Deferred tax charge	12	(1,433)	9,908
Taxation	8	6,762	(3,814)
		751,743	852,499
Decrease in trade and other receivables		653,813	322,015
Increase/(Decrease) in Long Term Lease Liability		19,118	-
Increase in trade and other payables		5,483	(14,655)
		678,414	307,360
Net cash from operating activities		1,430,157	1,159,859
Cash flows from investing activities			
Rent Deposit		-	(34,829)
Acquisition of Intangible asset software		(15,975)	-
Acquisition of property, plant and equipment (Excl. ROU Asset)		(29,834)	(70,379)
Acquisition of property, plant and equipment (ROU Asset)		(121,294)	-
		(167,103)	(105,208)
Net cash from investing activities		1,263,054	1,054,651
Net increase in cash and cash equivalents		1,263,054	1,054,651
Net cash on unrealised forex		(8,028)	(3,412)
Cash and cash equivalents at 1 April		4,403,926	3,352,687
Cash and cash equivalents at 31 March	14	5,658,952	4,403,926

The notes on pages 15 to 33 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Basis of presentation

Fujitsu Research 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 Accounting Standards in conformity with Companies Act 2006

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 line with International Accounting Standards in conformity with Companies Act 2006, 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 International Accounting Standards in conformity with Companies Act 2006.. The accounting policies are disclosed in Note 2.

Impact of Covid-19

Having experienced the Covid-19 impact during year, the Company has re-considered the effects that Covid-19 may have on the Company, 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.

Going Concern

The financial statements have been prepared on a going concern basis, which the Directors have assessed to be appropriate.

The merger by absorption of Fujitsu Laboratories Limited into Fujitsu Limited with effect from 1 April 2021 means that Fujitsu Limited is now the sole shareholder of the Company with effect from that date. The financial statements for the period ended 31 March 2021 show that the Company has a strong cash reserve and it has no external loans.

R&D funding has been secured for financial year commencing 1 April 2021 and, based on management cash flow analysis prepared for the period 1 April - 31 October 2022, the Company is forecast to be liquid. Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and, that 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 line with International Accounting Standards in conformity with Companies Act 2006, 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

Notes (continued)

2 Accounting policies (continued)

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

Leasing

With effect from April 1, 2019, the Company has applied IFRS 16 'Leases'.

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An asset can be

Notes (continued)

2 Accounting policies (continued)

identified either explicitly or implicitly. If explicitly, usually the asset will have a specified serial number and if implicitly, the asset is not mentioned in the contract, but the supplier can fulfil the contract only by the use of a particular asset, in which case there may be an identified asset. There is no identified asset if the supply has a substantive right to substitute the asset.

Separating components of a contract

Contracts usually combine different kinds of obligation of the supplier, which may be formed by lease components or lease and non-lease components, such as maintenance/services. The Company identifies the lease and non-lease components and account for those separately, applying the relevant standard to each one.

A contract may include an amount payable by the Company for activities and costs that do not transfer a good or service to the Company i.e. charge for administrative tasks. Such amounts do not give rise to a separate component and is considered as part of the total consideration that is allocated to each different component.

Consideration is allocated to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease component. Their relative stand-alone prices is determined on the basis of the price the lessee charges the Company for that component separately. If the breakdown information for the pricing is included in the contract, the Company considers the pricing from the contract.

Combination of contracts

Contracts are accounted together if they are entered into at or near the same time with the same counterparty and in contemplation of another.

Lease term

The lease term is the non-cancellable period of the lease plus periods covered by an option to extend or an option to terminate if the lessee is reasonably certain to exercise the extension option or not exercise the termination option.

Company as a Lessee

The Company applies a single recognition and measurement approach for all leases. For the initial recognition, the Company takes into consideration the Company's materiality policy for the recognition of new contract's right of use asset and lease liability.

The rentals related to operating lease commitments that are not recognised in the Statement of Financial Position based on the Company's materiality applied, are charged to the Statement of Profit or Loss on a straight-line basis over the lease term. Lease incentives received are recognised in the Statement of Profit or Loss as an integral part of the total lease expense.

The Company includes the renewal period as part of the lease term for leases of buildings that are within its notice period and that a renewal is very likely or if new date is known at the balance sheet date. Otherwise, period extension is included once contract renewal is signed.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Notes (continued)

2 Accounting policies (continued)

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses the borrowing rate at the lease commencement date as stipulated in the lease contract.

i) Subleases

The Company evaluates the sublease with reference to the right of use asset and classifies the transactions accordingly as either finance or operating subleases. If the head lease is a short term lease, the sublease is classified as an operating sublease.

The Company leases building under the lease agreement. Table below demonstrates the movement on the leased asset position during the year ended 31 March 2021.

Company	Land and buildings £
Net position as at 31 March 2020	-
Additions	121,294
Disposals	-
Impairment (charge) / reversal	-
Depreciation charge for the year	(80,863)
Exchange difference	-
Net position as at 31 March 2021	40,431

Lease liabilities are payable as follows:

	Minimum lease payment	Interest	Principal	Minimum lease payment	Interest	Principal
	2021	2021	2021	2020	2020	2020
	£	£	£	£	£	£
Company						
Less than one year	111,873	9,697	102,176	-	-	-
More than one year	21,903	2,785	19,118	-	-	-

Notes (continued)

3 Amended standards and Interpretation

The following adopted IFRSs are not yet effective for the year ended 31 March 2021 and have not been applied by the Company in these Financial Statements.	Applicable for the year commencing on or after:
IFRS 9 Financial Instruments - amendment (fees in the '10 per cent' test for derecognition of financial liabilities)	1 January 2022
IFRS 9 Financial Instruments - Amendment (replacement issues in the context of IBOR reform)	1 January 2021
IFRS 16 Leases - Amendment (replacement issues in the context of IBOR reform)	1 January 2021
IAS 1 Presentation of Financial Statements - Amendments (classification of liabilities)	1 January 2023
IAS 1 Presentation of Financial Statements - Amendments (definition of material)	1 January 2023
IAS 1 Presentation of Financial Statements - Amendments (disclosure of accounting policies)	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimate and Errors - Amendments (definition of accounting estimates)	1 January 2023
IAS 16 Property, Plant and Equipment - Amendment (prohibiting the deduction of amounts received from selling items produced while the Company is preparing the asset for its intended use from the cost)	1 January 2022
IAS 37 Provisions, Contingent Liability and Contingent Assets - Amendment (cost to include when assessing whether a contract is onerous)	1 January 2022
IAS 39 Financial Instruments: Recognition and Measurement - Amendment (replacement issues in the context of IBOR reform)	1 January 2021

The Company does not expect the adoption of these standards will have a material impact on the Financial Statement.

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	
	2021	2020
Directors	1	1
Researcher	29	28
Administration	6	7
	<u>36</u>	<u>36</u>

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£	£
Wages and salaries	2,609,370	2,679,999
Social security costs	295,240	287,725
Contributions to defined contribution plans	54,989	49,632
	<u>2,959,599</u>	<u>3,017,356</u>

5 Directors' remuneration

	2021	2020
	£	£
Wages and salaries	179,604	158,600
Social security costs	23,348	22,214
Benefit-in kind (Includes Pension £9000)	9,273	21,598
Directors' emoluments	<u>212,225</u>	<u>202,412</u>

Notes (continued)

6 Finance income and expense

Recognised in profit or loss	2021	2020
	£	£
<i>Finance income</i>		
Interest income on unimpaired financial assets	<u>946</u>	<u>3,895</u>
Total finance income	<u>946</u>	<u>3,895</u>
 <i>Exchange gain/(loss)</i>		
Interest paid to Tax authorities	(944)	(402)
Interest on lease liability	(9,698)	-
Revaluation loss recognised on Euro account held in the UK	(8,028)	(3,412)
Forex gain/(loss) recognised on Spanish branch account consolidation	(3,170)	(1,122)
Realised loss recognised on other Foreign Purchase invoices	<u>(3,877)</u>	<u>(37,895)</u>
	<u>(25,717)</u>	<u>(42,831)</u>

7 Expenses and auditor's remuneration

Included in profit are the following:

	2021	2020
	£	£
Research and development expensed as incurred	3,936,234	4,136,477
Depreciation and amortisation	31,171	23,643
Depreciation on IFRS 16 asset	<u>80,863</u>	<u>-</u>
 Auditor's remuneration:		
	2021	2020
	£	£
Audit of these financial statements	<u>9,100</u>	<u>9,100</u>
Non Audit Service Fee	23,950	36,822

Notes (continued)

8 Taxation

Recognised in the income statement

	2021	2020
	£	£
Current year	(107,477)	(143,888)
Overseas tax	100,715	147,702
Adjustments for prior years	-	-
Current tax expense	<u>(6,762)</u>	<u>3,814</u>
Origination and reversal of temporary differences	(4,440)	(9,908)
Adjustment for prior years	<u>5,873</u>	<u>-</u>
Deferred tax expense	<u>1,433</u>	<u>(9,908)</u>
Total tax expense	<u>(5,329)</u>	<u>(6,094)</u>

Reconciliation of effective tax rate

	2021	2020
	£	£
Profit for the year	627,298	835,443
Spanish branch (profit)/loss excluded for UK tax purposes	(37,941)	(65,993)
Total tax expense	<u>5,329</u>	<u>6,094</u>
Profit excluding taxation for UK tax purposes	<u>594,685</u>	<u>775,534</u>
Tax using the UK corporation tax rate of 19%	(112,990)	(147,351)
Non-deductible expenses	1,073	2,419
Overseas Tax	100,715	147,702
Adjustment	-	(8,864)
Prior year Adjustment	<u>5,873</u>	<u>-</u>
	<u>(5,329)</u>	<u>(6,094)</u>

The Chancellor's Budget on 3 March 2021 announced a UK corporation tax rate increase from 19% to 25%, effective from 1 April 2023. As this rate change was not substantively enacted as at 31 March 2021, deferred tax assets and liabilities in these financial statements continue to be measured at 19%, the enacted rate at which they are expected to reverse.

Notes (continued)

9 Property, plant and equipment

	Property	Plant and equipment £	Fixtures & fittings £	R&D equipment £	Total £
Cost					
Balance at 31 March 2020	0	158,197	29,629	3,350	191,176
Balance at 1 April 2020		158,197	29,629	3,350	191,176
Exchange Adjustments		(781)	(1,154)	-	(1,935)
IFRS16 Addition	121,294	-	-	-	121,294
Additions		29,834	-	-	29,834
Balance at 31 March 2021	121,294	187,250	28,475	3,350	340,369
Depreciation and impairment					
Balance at 31 March 2020		88,972	29,629	3,350	121,951
Balance at 1 April 2020		88,972	29,629	3,350	121,951
Exchange Adjustments		(520)	(1,154)	-	(1,674)
Depreciation IFRS.16 Assets	80,863	-	-	-	80,863
Depreciation charge for the year		31,171	-	-	31,171
Balance at 31 March 2021	80,863	119,623	28,475	3,350	232,311
Net book value					
At 31 March 2020 and 1 April 2020		69,225	-	-	69,225
At 31 March 2021	40,431	67,627	-	-	108,058

10 Intangible assets

	Computer software £	Total £
Cost		
Balance at 31 March 2020 and 1 April 2020	6,800	6,800
Addition	15,975	15,975
Balance at 31 March 2021	22,775	22,775
Amortisation and impairment		
Balance at 31 March 2020	6,800	6,800
Balance at 1 April 2020	6,800	6,800
Amortisation for the year	-	-
Balance at 31 March 2021	6,800	6,800
Net book value		
At 31 March 2020 and 1 April 2020		
At 31 March 2021	15,975	15,975

Notes (continued)

11 Other financial assets

	2021 £	2020 £
Current		
Cash on deposit with Fujitsu EMEA plc.	<u>604,445</u>	<u>603,502</u>
	<u>604,445</u>	<u>603,502</u>

Interest bearing short term loan with a notice period of 3 months by the Company for repayment of loan. The interest rate is the higher of floating rate which is the LIBOR +0.15% or floor rate which is fixed at 0.06% or 0.03%. The fixed interest level is reviewed and updated from time to time.

12 Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2021 £	2020 £
Property, plant and equipment	32,022	30,589
Spain R&D Tax Credit	<u>70,602</u>	<u>85,658</u>
Net tax assets	<u>102,624</u>	<u>116,247</u>

Movement in deferred tax during the year

	1 April 2020 £	Recognised in income £	31 March 2021 £
Property, plant and equipment	30,589	1,433	32,022
Spain R&D Tax Credit	85,658		70,602
	<u>116,247</u>	<u>1,433</u>	<u>102,624</u>

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

	2021 £	2020 £
Trade receivables due from related parties	595,812	985,379
Tax receivables	456,145	664,310
Other debtors	90,709	107,466
Prepayments	26,810	57,577
	<u>1,169,476</u>	<u>1,814,732</u>

14 Cash and cash equivalents

	2021 £	2020 £
Cash and cash equivalents	<u>5,658,952</u>	<u>4,403,926</u>

15 Trade and other payables

	2021 £	2020 £
Trade payables	184,034	110,146
Other payables	302,950	124,163
Lease Liability	19,118	-
Accrued expenses	443,739	545,852
Contract liabilities	32,105	177,185
	<u>981,946</u>	<u>957,346</u>

As at 31 March 2021, there was a contract liability amount relating to a project where the performance obligation had not yet been delivered.

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 £54,989 (2020: £49,632). There are no prepayments or amounts outstanding at the yearend (2020: £nil).

17 Capital and reserves

Share capital

	2021 £	2020 £
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. FRE 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 FRE is required to provide explanation to FRE.

During the financial year, the other receivables comprise R&D tax credits from HMRC. FRE 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 FRE 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 £1,797,972 for the Financial year ending 31st March 2021 (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:

	2021 £	2020 £
Japan	596,013	890,863
U.K.	1,086,436	610,065
Europe	115,523	148,761
	<u>1,797,972</u>	<u>1,649,689</u>

Notes (continued)

18: Financial instruments (continued)

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

	2021 £	2020 £
Related party	1,200,458	985,379
Government bodies	597,514	664,310
	<u>1,797,972</u>	<u>1,649,689</u>

Credit quality of financial assets and impairment losses

The aging of receivables at the balance sheet date was:

	Gross 2021 £	Impairment 2021 £	Gross 2020 £	Impairment 2020 £
Not past due	<u>1,797,972</u>	<u>-</u>	<u>1,649,689</u>	<u>-</u>
	<u>1,797,972</u>	<u>-</u>	<u>1,649,689</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 un-received invoices. The actual trade payable has been all paid in April 2021.

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

	2021 Carrying amount £	1 year or less £	2020 Carrying amount £	1 year or less £
Trade and other payables	<u>981,946</u>	<u>962,135</u>	<u>957,346</u>	<u>957,346</u>
	<u>981,946</u>	<u>962,135</u>	<u>957,346</u>	<u>957,346</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

	2021 £	2020 £
Financial assets	<u>604,445</u>	<u>603,502</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 2021 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:

	2021 £	2020 £
Key management emoluments including social security costs	<u>212,225</u>	<u>202,412</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>	
	2021 £	2020 £	2021 £	2020 £
Japan				
Parent (Fujitsu Laboratories Limited, Japan)	4,526,059	4,722,633	-	-
Ultimate Parent (Fujitsu Limited, Japan)	271,600	588,675	168,645	174,482
	<u>4,797,659</u>	<u>5,311,228</u>	<u>168,645</u>	<u>174,482</u>
UK				
PFU (EMEA) Limited	-	-	-	543,445
Fujitsu Services Limited	81,756	68,129	181,717	43,538
	<u>81,756</u>	<u>68,129</u>	<u>181,717</u>	<u>586,983</u>
Fujitsu Canada	-	2,315	-	-
Europe				
Fujitsu Technology Solutions SA	1,000	49,433	-	-
Fujitsu Technology Solutions SA	-	-	335,564	-
Fujitsu Norway AS	-	10,900	-	-
Fujitsu Denmark	-	9,724	-	-
	<u>1,000</u>	<u>70,057</u>	<u>335,564</u>	<u>-</u>
Grand Total	<u>4,880,415</u>	<u>5,451,729</u>	<u>685,926</u>	<u>761,465</u>

Sales to Fujitsu Laboratories Limited and Fujitsu Limited comprise fees under contracts for research and development for Fujitsu Group Companies.

	<u>Receivables</u>	<u>Receivables</u>	<u>Payables</u>	<u>Payables</u>
	<u>outstanding</u>	<u>outstanding</u>	<u>outstanding</u>	<u>outstanding</u>
	2021 £	2020 £	2021 £	2020 £
Parent (Fujitsu Laboratories Ltd, Japan)	456,639	619,839	-	-
Ultimate Parent (Fujitsu Ltd, Japan)	138,374	172,699	15,111	22,152
Fujitsu Norway AS	-	192	-	-
Fujitsu Services Limited	-	81,754	78,446	-
Fujitsu Denmark	-	9,724	-	-
Fujitsu Technology Solution BV	1,000	-	-	-
Fujitsu Software Purchasing Div	-	98,325	-	-
Fujitsu Technology Solution SA	-	-	30,923	-
PFU (EMEA) Ltd	-	2,846	-	51,881
Fujitsu Laboratories of Europe, Sucursal en España	-	-	102,528	-
	<u>596,013</u>	<u>985,379</u>	<u>227,008</u>	<u>74,033</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.

	2021 £	2020 £
Revenue from contracts with Customers	4,880,415	5,451,729
Research & Development Expenditure Credit	-	213,261
	<u>4,880,415</u>	<u>5,664,990</u>

Disaggregation of Revenue

All revenue of the Company is derived from contracts with related parties. In the following table, revenue is disaggregated by geographical market. The Company is primarily organised and managed by geography as presented below:

Total Revenue by Geography

	2021 £	2020 £
Japan	4,797,659	5,311,228
UK	81,756	68,129
Europe	1,000	70,057
Canada	-	2,315
	<u>4,880,415</u>	<u>5,451,729</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, Nakahara-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

On 23 April 2021 the name of the Company changed to Fujitsu Research of Europe Limited. This change was also reflected in the change of name of the Company Branch in Spain, which was registered on 12th July 2021.