
**NEC Software Solutions UK Limited
(previously Northgate Public Services (UK) Limited)**

Annual Report and Financial Statements

For the Year Ended 31 March 2021

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NEC Software Solutions UK Limited

Company Information

Directors	T J Whitely (appointed 22 November 2019) S Maynard (appointed 13 July 2020)
Registered number	00968498
Registered office	1st Floor, Imex Centre 575-599 Maxted Road Hemel Hempstead Hertfordshire HP2 7DX
Independent auditor	KPMG LLP 58 Clarendon Road Watford WD17 1DE

NEC Software Solutions UK Limited

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NEC Software Solutions UK Limited

Strategic Report For the Year Ended 31 March 2021

Introduction

The directors present the Strategic Report for the year ended 31 March 2021.

Business review

On 1 July 2020, the Company changed its name from Northgate Public Services (UK) Limited to NEC Software Solutions UK Limited ("NECSWS UK"). This better reflects the Company as part of the wider NEC group and enables utilisation of the NEC branding.

During the year the Company recognised revenue of £153.0m (2020: £145.0m) relating to the sale of software and related services. Both the Government & Housing and Safety & Health business areas have grown on the prior period, with the most significant growth being driven in our Safety business, where our CONNECT product is being implemented at several key customer sites in UK Police forces whilst maintaining gross profit margins.

The Company made a profit before tax for the year of £11.4m (2020: £41.6m). The prior year included a one-off profit of £23.0m deriving from the disposal of dormant subsidiaries in the year.

Operating profit is £7.3m down year on year due to the timing of larger, lower margin implementations and the associated cost releases on delivery, in line with revenue recognition. This is most apparent in the increase in administrative expenses, which have increased due to project cost releases on implementation, inflationary related payroll related costs, data storage and security and the use of subcontractors to fulfil delivery.

NEC Software Solutions UK Limited is a 100% owned member of the Garden Private Holdings Limited Group ("the Group"). Garden Private Holdings Limited is itself 100% owned and controlled by NEC Corporation, a company quoted on the Japanese stock exchange.

The Group has grown by acquisition during the year. On 31 December 2020, the Company acquired 100% of the share capital of Charter Systems Limited for consideration of £1.9m. The assets and trade of Charter Systems was immediately hived up into NEC Software Solutions UK Limited for the same value of consideration. Charter Systems Limited provides complete covert management solutions, including computer software products, to the police and law enforcement agencies.

Post period end event

On 8 June 2021, the Company acquired 100% of the share capital of Vantage Diagnostics Ltd and Vantage Health Limited for a total consideration of £21.2m. Vantage Diagnostics Ltd provides technology-driven solutions to the NHS, through an AI powered solution which transforms the referral process by intelligently automating pathways, which helps clinicians direct patients to the best care based on local guidelines.

On 3 January 2022, NEC Software Solutions UK Limited, purchased 100% of the share capital of SSS Public Safety Limited and Secure Solutions USA LLC from Capita plc for £72m. This acquisition is subject to a Competition and Markets Authority inquiry, which at the time of signing, has just completed the phase two stage of its investigation. Further details can be found at <https://www.gov.uk/cma-cases>.

Since the year end, the CMA has published its decision regarding the acquisition and has approved this on the basis that the Integrated Communication Control System ("ICCS") and Duties Management systems are disposed of prior to full control passing to NECSWS UK. Management are now working in with the CMA to structure this remedy and prepare these parts of the business for disposal.

The Company has continued with its programme of corporate simplification and continued to liquidate dormant subsidiaries during the period (see note 15). Post year end, the process of voluntary liquidation was started for APD Communications Limited, Health Information Systems (UK) Limited, Vantage Health Limited, Charter Systems Limited and i2N Ltd. None of these companies are currently trading and the investment value for these companies in the financial statements are nil.

**Strategic Report (continued)
For the Year Ended 31 March 2021**

Business model and strategy

During the year ended 31 March 2021, the Company conducted research into customer needs in all business verticals. The findings supported our view that our product proposition, particularly our strategic platforms, remain highly relevant for customers as they seek to meet their own needs for smarter software, interfaces and technology channels.

The Company will continue to invest in carefully targeted products and markets, particularly in the Housing and Safety businesses, where we see opportunity for further growth.

Principal risks and uncertainties

We endeavour to provide our stakeholders with a return that is consistent with a responsible assessment and mitigation of risks. This includes reviewing financial, operational and compliance controls and risk management procedures, which themselves include the security and controls around customer and in-house data.

The Executive Committee and the Board have established ongoing processes for the identification, evaluation and management of the significant risks faced by the Company.

The main operational risks for our business are:

Economic and market risk

Covid-19 created an uncertain economic market, with the UK Government borrowing significantly to support the UK economy. Since the year end, the UK has also experienced the effects of the war in Ukraine and the impact on energy costs, as well as an overarching cost of living crisis linked to the pandemic and war. Due to the nature of our customers, being public bodies and Government agencies, there is only a minimal risk of a reduced market demand for our services in the short term and the impact of potential austerity measures may come into effect in the longer term, but again, the impact is expected to be minimal. NECSWS UK is in a good position to help drive efficiency savings in conjunction with our key customers.

Whilst NECSWS UK does operate out of a number of locations and utilizes significant data storage and disaster recovery facilities, energy cost do not form a significant proportion of the cost base. The significant percentage increases that all UK businesses are experiencing are apparent withing the Company cost base, but are not significant enough to make a material difference to Company profitability.

UK interest rates have increased but NECSWS UK does not carry any third party borrowing outside of finance lease arrangements.

Any further escalation of the pandemic from a new strain of Covid is expected to have a minimal impact on the Company's operations, as demonstrated by the successful negotiation of the previous pandemic without the need to rely on government support through furlough or similar schemes.

The UK has seen recent increases in the rate of inflation to relatively high levels. Whilst management believe this is only a short-term situation, the impact has been considered on a number of areas.

Impairment reviews for investments and other assets includes sensitivity testing at a high discount rate to cover a potential long term high inflation position. This did not suggest the need for impairment in the current economic climate.

Wage inflation is carefully monitored and managed at both company and local levels. Wage increases have been built into long term forecasts at higher than the historic levels of 1-2%. Although management expect the long-term position to remain within these limits, whilst also considering the significant recent short term rises, higher rates of 3-4% have been used as a prudent estimate.

Strategic Report (continued)
For the Year Ended 31 March 2021

The cost of borrowing is kept to a minimum as there is no significant third-party borrowing owed by the company.

The high cost of living does potentially increase the risk of fraud; however, management are confident that tight controls over data and processes covering suppliers, cash and payments minimises this risk as far as possible.

Corporate financial stability risk

Key to success is our ability to economically fund ongoing business as well as the ability to pay staff and suppliers. Management has a rigorous and ongoing process of monitoring cash flow where we assess potential risks and the effect these may have on our ability to meet liabilities as they fall due. Through conducting stress testing and sensitivity analysis we continually assess the impact of potential risks to test the resilience of the business along with possible mitigating actions. We are confident of the effectiveness of these controls and their regulation of immediate cash flow impacts as well as longer-term impacts on sales growth and attrition. In broad terms, the business is reviewed over a three year period. There is inevitably greater uncertainty associated with a longer time period so our current assessment of continuing financial solvency and liquidity has been assessed over three years.

Further support is provided via the Company's participation in a cash pooling arrangement with NEC Capital Plc, whereby all GBP sterling cash balances are cleared on a daily basis and transferred to a central cash pooling account. All transferred balances are retained by NEC Capital Plc and made available to the Company in order to satisfy its cash flow requirements.

Information security risk

The security of information and technology infrastructure is crucial for maintaining the sensitive information of our customers. There are comprehensive policies and procedures in place as well as staff training and monitoring programmes to ensure that we protect the data of the Company and its customers from theft, loss, destruction or alteration.

Climate change

The threat to the environment from climate change, waste and energy consumption is considered a real threat to the wider population and economies in which the Group operates. Management are fully committed to the NEC sustainability objectives as set out on the NEC website (<https://www.nec.com/en/global/csr/>). These include targeted reduction in greenhouse gases, reduced plastic waste and water security initiatives.

At a local level, Management are building carbon emission reduction and reduced waste and energy consumption into the day-to-day activities of the Company. This includes working with our landlords to improve efficiencies at our offices, reducing the amount of travelling we ask our staff to undertake and developing our products to make them accessible to customers from any location, reducing the need to visit offices to carry out administrative activity and therefore facilitating a reduction in travel.

NEC Software Solutions UK Limited

**Strategic Report (continued)
For the Year Ended 31 March 2021**

Mandatory Streamlined Energy and Carbon Reporting (SECR)

We fulfil the statutory requirements for Streamlined Energy and Carbon Reporting which includes disclosure of the Company's carbon emissions. Under the Companies Act 2006 / SECR Regulations, 'Large companies' are required to report their annual emissions in their Strategic report.

NEC Software Solutions UK Limited (formerly Northgate Public Services (UK) Limited) Streamlined Energy and Carbon Reporting statement covers the reporting period of 1 April 2020 to 31 March 2021 and has been prepared in line with the requirements of the Streamlined Energy and Carbon Reporting regulations and the relevant areas of the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard.

The total energy consumption for 2020/2021 was 2,140,478.37 kWh equating to 512.362 tCO₂e

Emissions from combustion of gas (Scope 1)	59.426 tCO ₂ e
Emissions from combustion of fuel for transport purposes (Scope 1)	2.481 tCO ₂ e
Emissions from purchased electricity (Scope 2)	346.080 tCO ₂ e
Emissions from Transmission and Distribution (Scope 3)	29.763 tCO ₂ e
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	74.612 tCO ₂ e

Carbon intensity: Emissions of tCO₂e/full-time equivalent (no. of staff) during 2020/2021 was 0.27 tCO₂e

Energy Efficiency actions taken during the 2020/2021 period:

- No actions have been taken

Type	Comparison reporting year 2019-2020	Current reporting year 2020-2021
Total energy consumption (kWh)	5,481,809.69 kWh	2,140,478.37 kWh
Associated Carbon Emissions (tCO ₂ e)	1,361.589 tCO ₂ e	512.362 tCO ₂ e
Metric - Emissions of tCO ₂ e per full-time equivalent (no. of staff)	0.99 tCO ₂ e	0.27 tCO ₂ e

**Strategic Report (continued)
For the Year Ended 31 March 2021**

Section 172 statement

NEC Software Solutions UK Limited is a wholly owned subsidiary of NEC Corporation of Japan and therefore is subject to and abides by all NEC policies and procedures. The NEC governance framework delegates authority for local decision making to NEC Software Solutions (UK) Limited up to defined levels of cost and impact.

The Board of NEC Software Solutions (UK) Limited places a high degree of importance on building strong relationships with its key stakeholders in order to promote the long-term success of the Company. The Directors give full consideration to the likely consequences on all stakeholders of the decisions and actions taken, ensuring those decisions are made with sustainable success at the core.

Details of the engagement with the Company's key stakeholder are set out below.

Shareholders

Delivering to our shareholders, NEC Corporation, ensures the long-term success of the Company, allowing us to deliver successfully to all of our stakeholders. The Directors are in regular contact with NEC; either through regular performance reviews, strategy meetings, long term planning or collaboration on specific NEC wide projects. The open and frequent communication with NEC ensures a high degree of transparency exists and all parties are aligned on supporting the long-term success of the Company and its stakeholders.

Colleagues

We aim to build the capacity and capability of our people to deliver our growth plans and meet the needs of our customers. We do this by attracting, engaging, optimising and retaining talent. Our performance management and incentive programmes align individual and corporate goals and encourage internal succession planning and career development. Over the past year we have significantly improved our internal communications, so employees have a clear sight of their contribution to our performance and are recognised for their success in meeting our values of Customer, Commitment and Collaboration.

All UK employees have the opportunity to elect members to an Employee Consultation Group (ECG). The ECG meets formally with management on a quarterly basis to discuss issues of importance, ensuring effective communication takes place with all employees. Management also meets with the ECG as often as necessary to consult on matters important to staff and the Company.

Customers

Customers are central to the business – without them the Company would not exist. The Company aims to deliver a consistently high performance in an efficient and continuously improving way so as to meet the customer's needs. Engagement in the early stages of projects allows the Company to add the most value, providing the customer with the right solution for their problem. Feedback is sought throughout the project cycle, with an agile approach taken to meet the changing needs of our customers.

Suppliers

Building strong relationships with suppliers enables the Company to obtain the best value, service and quality. The Company works with suppliers who understand our business and adhere to our ways of working. Our procurement and operations teams work hard to understand our supply chain and develop deeper and more strategic relationships with key suppliers.

Community and environment

What the Company does is an integral part of the community, and the community is ultimately our customer. Poor relationships can damage and even destroy our reputation. Good relationships win goodwill. The Company actively engages with the communities close to our offices and seeks to reduce the environmental impact of our operations.

NEC Software Solutions UK Limited

**Strategic Report (continued)
For the Year Ended 31 March 2021**

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



S Maynard
Director

Date: 23 December 2022

Directors' Report
For the Year Ended 31 March 2021

The directors present their report and the financial statements for the year ended 31 March 2021.

Principal activity

The principal activity of the Company is providing software and outsourcing services to its public sector clients in the areas of local government, public safety, health, housing and central government.

NEC Software Solutions UK Limited is a member of the Garden Private Holdings group, which is owned by NEC Corporation, a company quoted on the Japanese stock exchange.

Results and dividends

The profit for the year, after taxation, amounted to £8,019,000 (2020 - £38,411,000).

The directors do not recommend the payment of a dividend (2020: £Nil).

Political and charitable contributions

The company made no political or charitable contributions or incurred any political or charitable expenditure during the year (2020: £nil).

Directors

The directors who served during the year were:

S Callaghan (resigned 30 June 2021)
A O'Reilly (resigned 30 September 2020)
T J Whitely (appointed 22 November 2019)
S Maynard (appointed 13 July 2020)

Future developments

The Company will continue to invest in carefully targeted products and markets, particularly in the Housing and Safety businesses, where we see opportunity for further growth.

Engagement with employees

We aim to build the capacity and capability of our people to deliver our growth plans and meet the needs of our customers. We do this by attracting, engaging, optimising and retaining talent. Our performance management and incentive programmes align individual and corporate goals and encourage internal succession planning and career development. Over the past year we have significantly improved our internal communications, so employees have a clear sight of their contribution to our performance and are recognised for their success in meeting our values of Customer, Commitment and Collaboration.

All UK employees have the opportunity to elect members to an Employee Consultation Group (ECG). The ECG meets formally with management on a quarterly basis to discuss issues of importance, ensuring effective communication takes place with all employees. Management also meets with the ECG as often as necessary to consult on matters important to staff and the Company.

Engagement with suppliers, customers and others

10/11/21

Building strong relationships with suppliers enables the Company to obtain the best value, service and quality. The Company works with suppliers who understand our business and adhere to our ways of working. Our procurement and operations teams work hard to understand our supply chain and develop deeper and more strategic relationships with key suppliers.

Customers are central to the business – without them the Company would not exist. The Company aims to deliver a consistently high performance in an efficient and continuously improving way so as to meet the customer's needs. Engagement in the early stages of projects allows the Company to add the most value, providing the customer with the right solution for their problem. Feedback is sought throughout the project cycle.

Delivering to our shareholders, NEC, ensures the long-term success of the Company, allowing us to deliver successfully to all of our stakeholders. The Directors are in regular contact with NEC, either through regular performance reviews, Board meetings or collaboration on specific projects.

What the Company does is an integral part of the community, and the community is ultimately our customer. Poor relationships can damage and even destroy our reputation. Good relationships win goodwill. The Company actively engages with the communities close to our offices and seeks to reduce the environmental impact of our operations.

Going concern

Notwithstanding net current liabilities of £15,828,000 as at 31 March 2021 (2020: £9,570,000), the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have performed a going concern assessment which indicates that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company's funding company, NEC Capital (UK) plc to meet its liabilities as they fall due during the going concern assessment period of 12 months following the signing of these accounts. The company is part of the Group's cash pool arrangement and hence a majority of the funds that the company has access to are part of this arrangement and are presented as intercompany within these accounts accordingly.

This assessment is dependent on NEC Corporation via NEC Capital (UK) plc providing additional financial support during the going concern assessment period via the cash pooling arrangement. NEC Corporation has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the £8,653,900 due at 31 March 2021, during the going concern assessment period. 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.

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 the financial statements and therefore have prepared the financial statements on a going concern basis.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

NEC Software Solutions UK Limited

**Directors' Report (continued)
For the Year Ended 31 March 2021**

Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 23 December 2022 and signed on its behalf.



S Maynard
Director

NEC Software Solutions UK Limited

Directors' Responsibilities Statement For the Year Ended 31 March 2021

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 accounting estimates that are reasonable and prudent;
- 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 Software Solutions UK Limited

Opinion

We have audited the financial statements of NEC Software Solutions UK Limited ("the company") for the period ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state 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 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.

Independent Auditor's Report to the Members of NEC Software Solutions UK Limited

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 directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes
- Considering remuneration incentive schemes and performance targets including bonus targets and conditions within share option schemes.
- 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, and taking into account possible pressures to meet profit targets, 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;
- the risk of bias in accounting estimates such as pension assumptions, and
- the risk that revenue in relation to long term software implementation revenue contracts is overstated through recording revenues in the wrong period driven by recognising revenue ahead of the performance obligation being met or performance obligations being identified that are not in line with IFRS 15.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Obtaining and inspecting a sample of the contractual agreements to understand the contract terms and conditions that underpin the revenue and profit recognition assumptions and to form our own independent assessment of the contracts performance obligations. For major contracts selected through our scoping exercise, obtaining supporting evidence to demonstrate the relevant performance obligation had been met in the financial period. Where relevant, we also assessed the accounting papers prepared by the company that set out the accounting treatment applied.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

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 through discussion with the directors and others management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

Independent Auditor's Report to the Members of NEC Software Solutions UK Limited

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, pension legislation and taxation 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. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, and certain aspects of company legislation recognising nature of the Companies activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors 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 fraud 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.

Independent Auditor's Report to the Members of NEC Software Solutions UK Limited

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 11, 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.

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/auditors-responsibilities.

Independent Auditor's Report to the Members of NEC Software Solutions UK Limited

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.

- 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 true and fair
- in our opinion those reports have been prepared in accordance with the Companies Act 2006

Mark Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
58 Clarendon Road
Watford
WD17 1DE

- adequate accounting records have not been kept, or returns adequate for our audit have not been provided to 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.

Date: 23 December 2022

We have nothing to report in these respects

Directors' responsibilities

As explained more fully in their statement set out on page 11, 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.

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.

NEC Software Solutions UK Limited

**Statement of Comprehensive Income
For the Year Ended 31 March 2021**

	Note	2021 £000	2020 £000
Turnover	3	152,988	144,973
Cost of sales		(22,854)	(24,314)
Gross profit		<u>130,134</u>	<u>120,659</u>
Administrative expenses		(117,509)	(91,818)
Exceptional administrative expenses		(406)	(9,347)
Operating profit	4	<u>12,219</u>	<u>19,494</u>
Profit on disposal of subsidiaries		-	23,040
Interest receivable and similar income	7	1	5
Interest payable and similar expenses	8	(726)	(519)
Other finance income		(82)	(450)
Profit before tax		<u>11,412</u>	<u>41,570</u>
Tax on profit	10	(3,393)	(3,159)
Profit for the financial year		<u>8,019</u>	<u>38,411</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit schemes	24	(13,971)	13,949
Deferred tax on pension scheme losses / (gains)		2,611	(2,650)
		<u>(11,360)</u>	<u>11,299</u>
Total comprehensive income for the year		<u>(3,341)</u>	<u>49,710</u>

The notes on pages 21 to 52 form part of these financial statements.

NEC Software Solutions UK Limited
Registered number:00968498

Statement of Financial Position
As at 31 March 2021

	Note	2021 £000	2020 £000
Non-current assets			
Goodwill	13	140,556	139,777
Other intangible assets	12	42,682	34,814
Tangible assets	14	14,877	11,511
Investments	15	40,317	38,410
		238,432	224,512
Current assets			
Debtors: amounts falling due after more than one year	16	5,800	5,825
Debtors: amounts falling due within one year	16	124,093	115,115
Cash at bank and in hand		1,067	109
		130,960	121,049
Creditors: amounts falling due within one year	17	(146,788)	(130,619)
Net current liabilities		(15,828)	(9,570)
Total assets less current liabilities		222,604	214,942
Creditors: amounts falling due after more than one year	18	(5,514)	(4,584)
		217,090	210,358
Provisions for liabilities			
Other provisions	21	(851)	(1,009)
		(851)	(1,009)
Net assets excluding pension liability		216,239	209,349
Pension liability		(15,577)	(5,444)
Net assets		200,662	203,905

NEC Software Solutions UK Limited
Registered number:00968498

Statement of Financial Position (continued)
As at 31 March 2021

	Note	2021 £000	2020 £000
Capital and reserves			
Called up share capital	22	20,004	20,004
Share premium account		40,828	40,828
Capital redemption reserve		4,519	4,519
Share based payment reserve		814	716
Profit and loss account		134,497	137,838
		<u>200,662</u>	<u>203,905</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 December 2022.



S Maynard
Director

The notes on pages 21 to 52 form part of these financial statements.

(continued) Statement of Changes in Equity
For the Year Ended 31 March 2021

2020 2003	2021 2003	Called up share capital £000	Share premium account £000	Capital contribution £000	Share based payment reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2020	40,828	20,004	40,828	4,519	716	137,838	203,905
Comprehensive income for the year							
Profit for the year	134,497	-	-	-	-	8,019	8,019
Actuarial losses on pension scheme	-	-	-	-	-	(13,971)	(13,971)
Deferred tax on pension scheme losses	-	-	-	-	-	2,611	2,611
Other comprehensive income for the year						(11,360)	(11,360)
Total comprehensive income for the year						(3,341)	(3,341)
Share based payment charge for the period	-	-	-	-	98	-	98
Total transactions with owners					98	-	98
At 31 March 2021		20,004	40,828	4,519	814	134,497	200,662

The notes on pages 21 to 52 form part of these financial statements.

NEC Software Solutions UK Limited

**Statement of Changes in Equity
For the Year Ended 31 March 2020**

	Called up share capital £000	Share premium account £000	Capital contribution £000	Share based payment reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2019	20,004	40,828	4,519	489	88,128	153,968
Comprehensive income for the year						
Profit for the year	-	-	-	-	38,411	38,411
Actuarial gains on pension scheme	-	-	-	-	13,949	13,949
Deferred tax on pension scheme gains	-	-	-	-	(2,650)	(2,650)
Other comprehensive income for the year	-	-	-	-	11,299	11,299
Total comprehensive income for the year	-	-	-	-	49,710	49,710
Share based payment charge for the period	-	-	-	227	-	227
At 31 March 2020	20,004	40,828	4,519	716	137,838	203,905

The notes on pages 21 to 52 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

1. General information

NEC Software Solutions UK Limited is a private company, limited by shares, incorporated, domiciled and registered in England and Wales under the Companies Act. The address of the registered office is given on the company information page. The nature of the Company's operations and its principal activities are outlined in the Directors' Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

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

The following principal accounting policies have been applied:

2.2 Judgements in applying accounting policies and key sources of estimation uncertainty

The Company's accounting policies have been set by management. The application of these accounting policies to specific scenarios requires reasonable estimates and assumptions to be made concerning the future.

The key areas of estimation include:

- Assumptions within the defined benefit liability (see note 2.14) where management have used assumptions in calculating values of future liabilities. The key assumptions being those over discount rate and inflation rates. NEC SWSUK engage third party actuaries to support them in reaching these assumptions. The assumptions used can be seen in note 24 in these financial statements.
- Goodwill impairment where management have used the most recently available information in determining future cash generation from key assets as set out in note 13. The key area of estimation uncertainty is deemed to be in the future cash flows and the assumptions made over growth rates used in the value in use calculations however the Company has assessed for impairment indicators in the year ended 31 March 2021 and concluded that none were identified. The assumptions made and the sensitivities performed can be found in note 13 of these financial statements.

2.3 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers

Notes to the Financial Statements
For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.3 Financial reporting standard 101 - reduced disclosure exemptions (continued)

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.4 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of its ultimate parent undertaking established under the law of a non-EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

2.5 Going concern

Notwithstanding net current liabilities of £15,828,000 as at 31 March 2021 (2020: £9,570,000), the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have performed a going concern assessment which indicates that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company's funding company, NEC Capital (UK) plc to meet its liabilities as they fall due during the going concern assessment period of 12 months following the signing of these accounts. The company is part of the Group's cash pool arrangement and hence a majority of the funds that the company has access to are part of this arrangement and are presented as intercompany within these accounts accordingly.

This assessment is dependent on NEC Corporation via NEC Capital (UK) plc providing additional financial support during the assessment period of 12 months via the cash pooling arrangement. NEC Corporation has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the £8,653,900 due at 31 March 2021, during the assessment period of 12 months following the signing of these accounts. 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.

Notes to the Financial Statements
For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.5 Going concern (continued)

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 the financial statements and therefore have prepared the financial statements on a going concern basis.

2.6 Share based payment

Six employees of the Company have acquired shares in a group entity. These shares are to be accounted for under IFRS2 Share Based Payment. The shares awarded are B shares in Garden Private Holdings Limited. The nature of the arrangement is described below.

- Employees purchased shares at market value. The shares acquired have a nominal value of £0.01 each. The number of shares acquired is 302,000,000 and the nominal value of shares acquired is £3,020,000.
- There are put and call options over the acquired shares. The put options allow employees to sell shares to another group entity and a call option allows the other group entity to purchase the shares.
- There are three points when Employees can realise value from their shares under the Articles of Association of Garden Private Holdings Limited. They are i) sale of shares on exit, ii) sale at the end of the vesting period (note below), iii) sale on becoming a leaver.
- There are three vesting periods for the acquired shares. 20% of the shares vested at 31 March 2019, 50% of the shares vested at 31 March 2020, 100% of the shares vested at 31 March 2021.

The share based payments are classified as equity-settled because these are share based payments among group entities which the Company has no obligation to settle. The Company receives the benefit of the employees' services and records a charge in the Statement of Comprehensive Income for the share based payment. The corresponding credit is recorded in a share based payment reserve. The charge is based on the fair value, taking account of the price paid, of the shares on the date on which the shares were acquired. For an equity-settled scheme, this fair value is not subsequently revisited. The charge to the Statement of Comprehensive Income is spread over the vesting period for each tranche of the B shares acquired. Subsequent adjustment to the fair value would only be required in the event of forfeiture due to leavers.

2.7 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is pounds sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the

Notes to the Financial Statements
For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.7 Foreign currency translation (continued)

translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.8 Revenue

The Company generates substantially all of its revenue from contracts with customers, whether formal or implied for the delivery of customized software solutions, consulting services, software support and maintenance agreements and software licence agreements.

The Company applies IFRS15 "Revenue from Contracts with Customers", by recognising the cumulative effect at the date of initial application according to the transition provisions stipulated in IFRS15. Financial statements for the previous year are not restated under the transition requirements of IFRS15 and revenue is accounted for under IAS18 "Revenue" and IAS11 "Construction contracts".

The accounting policies for revenue in the current year are as follows:

Revenue from contracts with customers is recognised upon transfer of control of products or services at an amount that reflects the consideration the Company expects to receive in exchange. This is achieved by applying the following five step model.

- i. Identify the contract
- ii. Identify separate performance obligations
- iii. Determine the transaction price
- iv. Allocate transaction price to performance obligations
- v. Recognise revenue when each performance obligation is satisfied

Identifying distinct performance obligations in contracts with customers

The Company recognizes revenue from contracts with customers for rendering services. The Company identifies distinct promised services from these contracts and allocates revenue in accordance with their performance obligations. The Company accounts separately for the service if it is distinct, whereby the promise to transfer the services is separately identifiable from other promises in the contract, and a customer can benefit from the service either on its own or together with other resources that are readily available to the customer.

Determining the transaction price

The Company considers the effects of variable consideration, constraining estimates of variable consideration, the existence of a significant financing component in the contract, non-cash consideration, and consideration payable to a customer when determining the transaction price.

The estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of the cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

2. Accounting policies (continued)

In assessing whether a contract contains a financing component and whether that financing component is significant to the contract, the Company considers the difference, if any, between the amount of promised consideration and the cash selling price of the promised services. The Company also considers the combined effect of the expected length of time between when it transfers the services to the customer and when the customer pays for those services and the prevailing interest rates in the relevant market.

Allocating the transaction price to the performance obligation

The Company allocates the transaction price to each performance obligation (or distinct service). To allocate the transaction price to each performance obligation on a relative stand-alone selling price basis, the stand-alone selling price at contract inception of the distinct service underlying each performance obligation in the contract is determined and the transaction price is allocated in proportion to those stand-alone selling prices. A stand-alone selling price is estimated if it is not directly observable.

Satisfaction of performance obligation

The Company recognizes revenue when or as the Company satisfies a performance obligation at a point in time or over time. The Company recognizes revenue over time if one of the following criteria is met; i) the Customer simultaneously receives and consumes the benefits provided by the Company, ii) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or iii) the Company's performance does not create an asset with an alternative use to the Company and it has an enforceable right to payment for performance completed to date. If none of the above is met, the Company recognizes revenue at a point in time when it is determined that control of an asset is transferred to a customer.

Methods for measuring progress

Revenue is recognized for a performance obligation satisfied over time only if the progress towards complete satisfaction of the performance obligation can be reasonably measured. When the progress cannot be measured reasonably, revenue is recognized only to the extent of the costs incurred until such time that it can be reasonably certain of the outcome of the performance obligation.

Rendering services

The major transactions regarding rendering of services are licences for customer software solutions, professional services (project management, other consultancy and training), support and maintenance, business process outsourcing and royalties.

Revenue recognized at a point in time

Licence revenue will be recognized when performance obligations have been met as defined by the contract. Generally, this will be when the customer acquires control of a distinct and separate asset that they contracted for. The customer must have the ability to obtain economic benefits from the asset before revenue is recognized. Implementation services are bundled together with licence revenue and recognized on the same basis because this service is not distinct from licence revenue. The customer could not obtain benefit from the licence without first receiving implementation services.

Notes to the Financial Statements
For the Year Ended 31 March 2021

2. Accounting policies (continued)

Revenues recognized over a period of time

Professional services are usually charged to customers using a day rate. Revenue is recognized when the days of service have been delivered unless they relate to projects with a fixed outcome. In that case, the revenue is recognized when the outcome has been achieved.

Support and maintenance, software as a service (SaaS) and business process outsourcing services are recognized flat line over the term of the contract.

Revenue from royalties is recognized on an accruals basis in the period to which the royalty income relates. This is revenue receivable from subsidiary entities for the right to use and sell software that is owned and controlled by the Company

When the Company acts as agent, the profit element of the transaction is recognized as revenue. The Company is the agent when i) another party is responsible for fulfilling the contract, ii) the Company does not have discretion to set the price of third party goods and services, iii) the Company has no inventory or credit risk.

2.9 Leases

The Company as a lessee

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

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

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- the amount expected to be payable by the lessee under residual value guarantees;

The lease liability is included in 'Creditors' on the Statement of Financial Position.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected

Notes to the Financial Statements
For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.9 Leases (continued)

payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company has elected not to assess whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications.

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

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

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the Statement of Financial Position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.19.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

2.10 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Notes to the Financial Statements
For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.11 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over 10 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.12 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.13 Finance costs

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

2.14 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 101 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate

Notes to the Financial Statements
For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.14 Pensions (continued)

valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.16 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

Notes to the Financial Statements
For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.17 Goodwill

The goodwill relates to businesses acquired and hived into NEC Software Solutions (UK) Limited prior to 2008 and earlier.

The Company measures goodwill at the acquisition date as the fair value of the consideration transferred, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Costs related to the acquisition are expensed as incurred.

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

2.18 Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Capitalised development	-	5 - 10 years
Purchased software	-	3 years

2.19 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Notes to the Financial Statements
For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.19 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Leasehold improvements	- Lesser of 50 years or life of the lease
Motor vehicles	- 4 years
Fixtures, fittings and equipment	- Between 3 and 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.20 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.21 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business

Notes to the Financial Statements
For the Year Ended 31 March 2021

2. Accounting policies (continued)

combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.22 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Contract assets

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditional on something other than the passage of time. Contract assets include costs incurred to fulfil a contract prior to the completion of the relevant performance obligation(s). Contract assets also arise when services recognized over a period of time are billed in arrears or if performance obligations are not met ahead of invoices being raised for the same. Amounts in contract assets are reduced when invoices are raised to customers. Invoiced amounts are included in Trade debtors. Payments are normally due 30 days from invoice date.

Costs incurred to fulfil a contract are recognized as an asset when all the following criteria are met: i) the costs relate directly to a customer contract (or a specified anticipated contract), ii) the costs generate or enhance resources of the Company that will be used to satisfy the performance obligations in future; and iii) the costs are expected to be recovered. These costs include direct labour, direct materials and the allocation of overheads that relate directly to a contract.

Contract assets recognized in respect of costs to obtain or fulfil a contract are amortized on a systematic basis that is consistent with the transfer of services to which the asset relates.

2.23 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Notes to the Financial Statements
For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.24 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Contract liabilities

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received (or the amount is due) from the customer. Contract liabilities are created when revenue recognized over a period of time is billed in advance of delivery. Contract liabilities also arise when invoices are raised for services recognized at a point in time ahead of the satisfaction of performance obligations. Contract liabilities are recognized as revenue when the Company completes the performance obligations on the contract.

2.25 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

Property provisions

A property provision is recognised when a reasonable estimate can be made of the dilapidation costs that will be payable at the termination date of the lease.

3. Turnover

An analysis of turnover by class of business is as follows:

	2021	2020
	£000	£000
Government and Housing	96,105	95,470
Safety and Health	56,883	49,503
	<u>152,988</u>	<u>144,973</u>

NEC Software Solutions UK Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

Analysis of turnover by country of destination:

	2021	2020
	£000	£000
United Kingdom	143,252	121,520
Rest of Europe	3,722	4,754
Rest of the World	6,014	18,699
	<u>152,988</u>	<u>144,973</u>

4. Operating profit

The operating profit is stated after charging:

	2021	2020
	£000	£000
Depreciation of tangible fixed assets	4,341	3,190
Amortisation of intangible assets, including goodwill	8,462	8,260
Exchange differences	819	(622)
Defined contribution pension cost	3,275	3,270
Defined benefit pension cost	1,029	807
	<u>17,926</u>	<u>17,927</u>

5. Auditor's remuneration

	2021	2020
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>315</u>	<u>125</u>

NEC Software Solutions UK Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

6. Employees

Staff costs were as follows:

	2021	2020
	£000	£000
Wages and salaries	61,577	60,206
Social security costs	6,566	6,525
Cost of defined benefit scheme	1,029	807
Cost of defined contribution scheme	3,275	3,270
	<u>72,447</u>	<u>70,808</u>

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

	2021	2020
	No.	No.
Sales	67	66
Operations	851	829
Development	245	230
Support functions	140	135
	<u>1,303</u>	<u>1,260</u>

Director's remuneration

	2021	2020
	£000	£000
Director's remuneration	1,922	1,552
Pension contributions	15	91
	<u>1,937</u>	<u>1,643</u>

The aggregate of remuneration of the highest paid director was £868k (2020: £928k), and company pension contributions of £4k (2020: £53k) were made to a direct contribution scheme on his behalf.

7. Interest receivable

	2021	2020
	£000	£000
Group interest receivable	<u>1</u>	<u>5</u>

NEC Software Solutions UK Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

8. Interest payable and similar expenses

	2021	2020
	£000	£000
Bank interest payable	61	103
Right-of-use assets	614	379
Finance leases and hire purchase contracts	-	30
Other interest payable	51	7
	<u>726</u>	<u>519</u>

9. Other finance costs

	2021	2020
	£000	£000
Net interest on defined benefit liability	82	450
	<u>82</u>	<u>450</u>

10. Taxation

	2021	2020
	£000	£000
Corporation tax		
Current tax on profits for the year	762	3,860
Total current tax	<u>762</u>	<u>3,860</u>
Deferred tax		
Origination and reversal of timing differences	1,601	58
Adjustments in respect of prior periods	472	139
Effect of tax rate change on opening balance	558	(898)
Total deferred tax	<u>2,631</u>	<u>(701)</u>
Taxation on profit on ordinary activities	<u>3,393</u>	<u>3,159</u>

NEC Software Solutions UK Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021	2020
	£000	£000
Profit on ordinary activities before tax	11,412	41,570
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	2,168	7,898
Effects of:		
Fixed asset differences	-	64
Expenses not deductible for tax purposes	192	356
Income not taxable for tax purposes	-	(4,400)
Adjustments to tax charge in respect of previous periods - deferred tax	472	139
Remeasurement of deferred tax for changes in tax rates	561	(898)
Total tax charge for the year	3,393	3,159

Factors that may affect future tax charges

The UK corporation tax rate remains at 19% for the full year (2020: 19%). On 3 March 2021, the Government announced that with effect from 1 April 2023 the corporation tax rate would increase to 25% for companies with profits of over £250,000.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 March 2020 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences (2020: 19%).

11. Exceptional items

	2021	2020
	£000	£000
Severance and restructuring	406	1,235
One off acquisition and separation costs	-	1,299
Other non-recurring items	-	3,417
IT implementation costs	-	3,396
	406	9,347

NEC Software Solutions UK Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

12. Intangible assets

	Assets under construction	Capitalised development	Brand	Software	Customer relationships	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2020	2,064	67,169	-	7,842	-	77,075
Additions - external	-	-	-	1,365	-	1,365
Additions - internal	-	14,043	-	-	-	14,043
Intra-group transfers	(711)	-	-	711	-	-
Disposals	-	-	-	(6,942)	-	(6,942)
On acquisition of subsidiaries*	-	-	29	398	493	920
At 31 March 2021	1,353	81,212	29	3,374	493	86,461
Amortisation						
At 1 April 2020	-	35,081	-	7,180	-	42,261
Charge for the year on owned assets	-	7,735	-	713	12	8,460
On disposals	-	-	-	(6,942)	-	(6,942)
At 31 March 2021	-	42,816	-	951	12	43,779
Net book value						
At 31 March 2021	1,353	38,396	29	2,423	481	42,682
At 31 March 2020	2,064	32,088	-	662	-	34,814

*The total cost of addition relating to acquisition of subsidiaries of £920,000 all relates to the acquisition of Charter Systems Limited which was hived up on 1 January 2021.

NEC Software Solutions UK Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

13. Goodwill

	Government & housing £000	Health & DRMS £000	Safety £000	Total £000
Cost				
At 1 April 2020	98,574	62,285	47,404	208,263
Additions			779	779
At 31 March 2021	98,574	62,285	48,183	209,042
Amortisation				
At 1 April 2020	32,415	20,482	15,589	68,486
At 31 March 2021	32,415	20,482	15,589	60,486
Net book value				
At 31 March 2021	66,158	41,803	32,595	140,556
At 31 March 2020	66,158	41,803	31,816	139,777

The goodwill of £139.8m relates to businesses transferred into NEC SWS UK prior to 2008. The assets and trade of these businesses continue to operate across all areas of the business, having long established trading relationships with their customer base. This would include the SX3, Blue 8, Kendric Ash and First Software businesses acquired and hived into NECSWS UK prior to 2008 (and earlier). The addition relates to the acquisition and hive up of Charter Systems Limited on 1 January 2021.

The recoverable amount of the goodwill has been calculated with reference to its value in use.

The Key assumptions of this calculation are shown below:

Period on which management approved forecasts are based on 2021 accounts. Growth rate applied beyond approved forecast period is in line with the five year plan approved by NEC in November 2021. Cashflows from the SSS Public Safety Limited and Secure Solutions USA LLC acquired on 1 January 2022 were not included in the five year plan.

Discount rate applied for the calculation of value in use was 8%. Management believe the 8% discount are to be prudent and consistent with the internal NEC WACC of 8.5%.

The following growth rates were used in calculation of value in use are in line with the average growth rate experienced by NEC Software Solutions and consistent with the long-term average growth rate in the market:

Government & Housing	1% Low growth
Health & DRMS	2% Medium growth
Safety	3% High growth

Sensitivities analysis has been performed using 10% high-rate sensitivity test and does not indicate any impairment.

Goodwill had previously been amortised under previous ownership and accounting policies, but since 2008 the goodwill has been tested for impairment, following current accounting standards.

NEC Software Solutions UK Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

14. Tangible fixed assets

	Short-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 April 2020	7,104	22	23,544	30,670
Additions	2,026	-	6,618	8,644
Disposals	(1,389)	-	(13,508)	(14,897)
At 31 March 2021	<u>7,741</u>	<u>22</u>	<u>16,654</u>	<u>24,417</u>
Depreciation				
At 1 April 2020	1,989	7	17,163	19,159
Charge for the year on owned assets	-	6	2,284	2,290
Charge for the year on right-of-use assets	1,195	-	855	2,050
Disposals	(451)	-	(13,508)	(13,959)
At 31 March 2021	<u>2,733</u>	<u>13</u>	<u>6,794</u>	<u>9,540</u>
Net book value				
At 31 March 2021	<u>5,008</u>	<u>9</u>	<u>9,860</u>	<u>14,877</u>
At 31 March 2020	<u>5,115</u>	<u>15</u>	<u>6,381</u>	<u>11,511</u>

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of Financial Position is as follows:

	2021 £000	2020 £000
Tangible fixed assets owned	6,435	5,740
Right-of-use tangible fixed assets	8,442	5,771
	<u>14,877</u>	<u>11,511</u>

NEC Software Solutions UK Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

14. Tangible fixed assets (continued)

Information about right-of-use assets is summarised below:

Net book value

	2021	2020
	£000	£000
Property	5,004	4,908
Fixtures and fittings	3,438	863
	<u>8,442</u>	<u>5,771</u>

Depreciation charge for the year ended

	2021	2020
	£000	£000
Property	1,195	1,099
Fixtures and fittings	855	153
	<u>2,050</u>	<u>1,252</u>

NEC Software Solutions UK Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

15. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 April 2020	38,410
Additions	1,907
At 31 March 2021	40,317

The Company purchased Charter Systems Limited on 31 December 2020 for a total consideration of £1,906,335.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
NEC Software Solutions ANZ Pty Limited	Ordinary	100%
NEC Software Solutions Canada Limited	Ordinary	100%
Digital Healthcare Limited ¹	Ordinary	100%
Medical Imaging UK Limited ¹	Ordinary	100%
MIDRSS Limited	Ordinary	100%
We Are Snook Limited	Ordinary	100%
NPS (UK11) Limited ¹	Ordinary	100%
APD Mobile Data Limited ¹	Ordinary	100%
NPS (UK 13) Limited ¹	Ordinary	100%
Liquidated in year:		
SX3 Limited ¹	Ordinary	100%
NPS (UK2) Limited ¹	Ordinary	100%
NPS (UK5) Limited ¹	Ordinary	100%
Liquidation process commenced post year end:		
APD Communications Limited ¹	Ordinary	100%
i2N Limited ¹	Ordinary	100%
Charter Systems Limited ¹	Ordinary	100%
Health Information Systems (UK) Limited ¹	Ordinary	100%
SX3 Limited (Hong Kong)	Ordinary	100%

NEC Software Solutions UK Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

15. Fixed asset investments (continued)

Subsidiary undertakings (continued)

The registered office of all subsidiaries marked ¹ is First Floor, Imex Centre, 575-599 Maxted Road, Hemel Hempstead HP2 7DX.

The registered office of all other subsidiaries is as follows:

We Are Snook Limited: Suite 7.02, Clockwise Savoy Tower, 77 Renfrew Street, Glasgow, Scotland, G2 3BZ

MIDRSS: NPS Care, 36 South Mall, Cork City, County Cork, T12 PNC0

NEC Software Solutions ANZ Pty Limited: 01 Suite 11, Level 11, 60 Castlereagh Street, Sydney, NSW 2000, Australia

NEC Software Solutions Canada Limited: 340 Albert Street Suite, 1400 Ottawa, Ontario K1R 0A5, Canada

SX3 Limited (Hong Kong): 22nd Floor, Tai Yau Building, 181 Johnson Road, Wan Chai, Hong Kong

100% share capital of Vantage Diagnostics Ltd and Vantage Health Limited were acquired after the year end.

16. Debtors

	2021	2020
	£000	£000
Due after more than one year		
Deferred tax asset	5,800	5,825
	<u>5,800</u>	<u>5,825</u>
	2021	2020
	£000	£000
Due within one year		
Trade debtors	23,093	25,700
Amounts owed by group undertakings	69,266	55,093
Other debtors	-	5
Prepayments and accrued income	4,366	4,281
Contract assets	16,564	8,956
Tax recoverable	-	873
Contract costs	10,804	20,207
	<u>124,093</u>	<u>115,115</u>

NEC Software Solutions UK Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

16. Debtors (continued)

Included in amounts owed by group undertakings is £8,653,900 (2020: £7,180,390) cash pool balance. All intercompany balances in this paragraph are payable on demand but there is no intention for them to be paid in under a year.

17. Creditors: Amounts falling due within one year

	2021	2020
	£000	£000
Contract liabilities	69,795	73,312
Trade creditors	8,209	10,886
Accrued costs	6,796	9,982
Amounts owed to group undertakings	41,316	20,189
Corporation tax	1,562	-
Other taxation and social security	6,473	7,695
Obligations under finance lease and hire purchase contracts	2,875	1,707
Other creditors	24	-
Accruals and deferred income	9,738	6,848
	<u>146,788</u>	<u>130,619</u>

Amounts owed to group undertakings are payable on demand and are non-interest bearing.

18. Creditors: Amounts falling due after more than one year

	2021	2020
	£000	£000
Net obligations under finance leases and hire purchase contracts	<u>5,514</u>	<u>4,584</u>

NEC Software Solutions UK Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

19. Leases

Company as a lessee

The Company leases a number of properties, used for staff offices, around the UK. The Company also leases properties on behalf of subsidiaries and recharges the related costs for rent, service charge etc.

The Company has further leases in relation to contracts with O2 and for photocopiers.

Contractual undiscounted cash flows are due as follows:

	2021	2020
	£000	£000
Not later than one year	2,172	1,707
Between one year and five years	5,250	3,618
Later than five years	966	966
	<u>8,388</u>	<u>6,291</u>

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2021	2020
	£000	£000
Expenses relating to short-term leases	58	267
	<u>58</u>	<u>267</u>

20. Deferred taxation

	2021	2020
	£000	£000
At beginning of year	5,825	7,775
Charged to profit or loss	(2,636)	701
Charged to other comprehensive income	2,611	(2,650)
At end of year	<u>5,800</u>	<u>5,826</u>

NEC Software Solutions UK Limited

Notes to the Financial Statements
For the Year Ended 31 March 2021

20. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2021 £000	2020 £000
Property, plant and equipment	2,172	3,867
Provisions	853	182
Employee benefits	2,775	1,757
Losses	-	19
	<u>5,800</u>	<u>5,825</u>

21. Provisions

	Property provision £000
At 1 April 2020	1,009
Charged to profit or loss	177
Utilised in year	(335)
At 31 March 2021	<u>851</u>

22. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
20,003,534 (2020 - 20,003,534) Ordinary shares of £1.00 each	<u>20,004</u>	<u>20,004</u>

Notes to the Financial Statements
For the Year Ended 31 March 2021

23. Share-Based Payments

One share-based payment scheme existed during the period. The nature and general terms and conditions are described in the accounting policy note (note 2.6). The shares were acquired on 16 February 2018 and 23 March 2018. Due to the proximity of these dates, 16 February 2018 has been adopted as the valuation date.

The fair value of the shares at the valuation date is broken down into three tranches, on the assumption that the employees will sell their vested shares on the days that the put options vest. The amounts receivable by employees are driven by a calculation that takes into account variable inputs, such as revenue and EBITDA, and fixed inputs such as threshold value.

The Monte Carlo simulation method has been used to simulate a range of revenue and EBITDA scenarios for years ending 31 March 2020 and 2021. The geometric Brownian model has also been used to simulate the revenue and EBITDA outcomes. Using those simulations, the future equity value has been calculated using the method defined in the Articles of Association of Garden Private Holdings Limited. The Monte Carlo simulation method used the following valuation assumptions.

- Share price of £0.01
- Option exercise price £0.00
- Expected volatility 33%
- Expected life (years) 1 to 3 years
- Risk free rate 0.874%
- Expected dividend yield 0.0%

The expected volatility assumption reflects the amount by which the revenue and EBITDA growth is expected to fluctuate over the vesting periods. The volatility assumption is based on the average share price volatility of comparable companies over three years.

The fair value for tranche 1 is £306,168. The fair value for tranche 2 is £300,107. The fair value for tranche 3 is £342,780. The total fair value for the scheme is £949,055. The portion of the fair value scheme, relating to NEC Software Solutions UK Limited is £812,246. The fair value is spread over the vesting period for each tranche. In the period ending 31 March 2019, the amount recognised in the Statement of Comprehensive Income is 100% of the fair value of tranche 1, 50% of the fair value of tranche 2 and 33.33% of tranche 3. In the period, £226,769 (2019: £489,447) has been recognized in Wages and Salaries costs (note 6). This reflects the fair value of the employment services provided by the employees of Northgate Public Services (UK) Limited in relation to the share based payments.

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

24. Pension commitments

The Company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in an independently administered fund. Contributions totaling £4.9m (2020 - £0.6m) were paid in the year.

The Company operates a Defined Benefit Pension Scheme.

The scheme is closed to new employees, who are instead eligible to join another defined contribution scheme.

Benefits are related to salary close to retirement or leaving service (if earlier) and also to the number of years of pensionable service. Assets are held in separate, trustee administered funds. Employer contributions to the schemes are determined on the basis of regular valuations undertaken by independent, qualified actuaries. As the schemes are closed to new entrants for pension accrual, under the method used to calculate pension costs in accordance with IAS19, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Funding

The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. This includes the additional contributions aimed at removing the deficit of the schemes. Contributions to the defined contribution schemes are in addition to the contributions to the UK defined benefit schemes.

Reconciliation of present value of plan liabilities:

	2021	2020
	£000	£000
Reconciliation of present value of plan liabilities		
At the beginning of the year	121,001	134,982
Current service cost	375	465
Interest cost	2,994	3,204
Changes in financial assumptions	19,124	(10,951)
Changes in demographic assumptions	515	350
Experience adjustments on benefit obligations	(614)	(1,857)
Benefits paid	(5,384)	(5,192)
Past service cost	174	-
At the end of the year	138,185	121,001

NEC Software Solutions UK Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

24. Pension commitments (continued)

Reconciliation of present value of plan assets:

	2021	2020
	£000	£000
At the beginning of the year	115,557	116,222
Running costs	(429)	(342)
Interest cost	2,912	2,754
Actuarial gains/(losses)	5,054	1,491
Contributions	4,898	591
Benefits paid	(5,384)	(5,159)
At the end of the year	122,608	115,557

Composition of plan assets:

	2021	2020
	£000	£000
Equities	12,906	9,638
LDI Funds	24,430	26,723
Multi-asset credit	8,540	7,835
Property	12,571	12,401
Emerging market multi asset	11,234	8,745
Diversified growth funds	12,502	10,648
Corporate bonds	31,325	25,783
Cash and net current assets	9,100	13,784
Total plan assets	122,608	115,557
	2021	2020
	£000	£000
Fair value of plan assets	122,608	115,557
Present value of plan liabilities	(138,185)	(121,001)
Net pension scheme liability	(15,577)	(5,444)

NEC Software Solutions UK Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

24. Pension commitments (continued)

The amounts recognised in profit or loss are as follows:

	2021	2020
	£000	£000
Current service cost	375	465
Running costs	429	342
Interest on obligation	82	450
Past service cost	174	-
Total	<u>1,060</u>	<u>1,257</u>

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was £14.0m loss (2020 - £13.9m gain).

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2021	2020
	%	%
Discount rate	2.04	2.53
Future salary increases	1.00	1.00
Retail price inflation (RPI)	3.28	2.53
Consumer price inflation (CPI)	2.62	1.75
Future pension increases (2.5% LPI)	2.21	1.85
Future pension increases (5.0% LPI)	3.18	2.52
Mortality rates		
- for a male aged 65 now	22.3	22.1
- at 65 for a male aged 45 now	23.6	23.5
- for a female aged 65 now	24.7	24.5
- at 65 for a female member aged 45 now	<u>26.1</u>	<u>25.9</u>

NEC Software Solutions UK Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

24. Pension commitments (continued)

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	2021 £'000 Increase	2021 £'000 Decrease
Discount rate	(2,195)	2,248
Future pension growth	-	-
Inflation and related future pension growth	1,067	(1,066)
Life expectancy (1 year movement)	5,519	(5,470)
	<u> </u>	<u> </u>

25. Post balance sheet events

On 8 June 2021, the Company acquired 100% of the share capital of Vantage Diagnostics Ltd and Vantage Health Limited. Vantage provides technology-driven solutions to the NHS, through an AI powered solution which transforms the referral process by intelligently automating pathways, which helps clinicians direct patients to the best care based on local guidelines.

On 3rd January 2022, NEC Software Solutions UK Limited, purchased 100% of the share capital of SSS Public Safety Limited and Secure Solutions USA LLC from Capita plc for £72m. This acquisition is subject to a Competition and Markets Authority inquiry, which at the time of signing is in the Phase two stage. Further details can be found at <https://www.gov.uk/cma-cases>.

The Company has continued with its programme of corporate simplification and continued to liquidate dormant subsidiaries during the period (see note 15). Post year end, the process of voluntary liquidation was started for APD Communications Limited, Health Information Systems (UK) Limited, Vantage Health Limited, Charter Systems Limited and i2N Ltd. None of these companies are currently trading.

26. Related parties exemption

The Company has elected to claim exemption under FRS101, paragraph 8(j), on disclosure of related party transactions entered into between two or more members of a wholly owned group and key management personnel compensation.

The company operated a defined benefit pensions scheme. The transactions with the scheme are set out in note 24.

There were no related party transactions involving key management of the company or other related parties.

NEC Software Solutions UK Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

27. Controlling party

As explained in note 2.14, the company operates a defined benefit pension scheme.

The immediate parent company is NPS (Holdings) Limited, a company registered in the United Kingdom.

The ultimate parent company is NEC Corporation, a company registered in Japan.

The largest group in which the results of the Company are consolidated is that headed by NEC Corporation. No other group financial statements include the results of the Company.

Copies of the Group accounts can be obtained from the registered office at 7-1, Shiba 5-chome Minato-ku, Tokyo 108-8001 Japan.