

**Fujitsu Research of Europe Limited**

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

**Directors' report and financial statements**

**Registered number 4153469**

**31 March 2022**

WEDNESDAY



\*ABGW9AEJ\*

A15

16/11/2022

#270

COMPANIES HOUSE

## Contents

Strategic Report	1
Directors' Report	5
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	7
Independent auditor's report to the members of Fujitsu Research of Europe Limited (formerly: Fujitsu Laboratories of Europe Limited)	8
Income Statement	11
Statement of Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Equity	13
Cash Flow Statement	14
Notes	15

## Strategic Report

Fujitsu Research of Europe ("Company") is a company incorporated in England and Wales with a Branch Office in Spain. As stated in the Directors' Report, the Company name was changed from Fujitsu Laboratories of Europe Limited to Fujitsu Research of Europe Limited in April 2021. The Company became a wholly owned subsidiary of Fujitsu Limited, a company which is incorporated in Japan, with effect from 1 April 2021.

### Principal Activities

In 2021 in response to the emergence of the global services environment demanding fast, secure communications embodying enhanced data analytics capabilities and deployment of distributed, robust, predictive and ethical AI technologies, Fujitsu announced the creation of the Fujitsu Research Global Laboratories ("FRGL"). The restructuring has resulted in the Company's activities during the financial year ending 31 March 2022 being more closely integrated with those of other Fujitsu Laboratories in Japan, USA and China. The virtual Laboratories has provided significantly more opportunities for the Company to participate at many levels in the creation and development of ground-breaking technologies designed for global distribution. The closer integration of the Company's research activities with those of other sister companies and institutions which form part the global Fujitsu Research structure, has enabled the Company to contribute to the creation of the socially responsible and trusted artificial intelligence (AI) technologies needed for Fujitsu to achieve its clearly defined purpose "to make the world more sustainable by building trust in society through innovation".

### Business Objectives

The Company's business objectives are to:

- Contribute region-specific innovation initiatives which support the Fujitsu Group ethos by the application of human centric innovation and cutting-edge technologies underpinned by trusted and ethical innovation to solve social challenges and drive the evolution of social transformation.
- Undertake ground-breaking research and development, underpinned by the core values of corporate social responsibility, protection of the global environment and a sustainable, reliable, social infrastructure.
- Work within the Global Fujitsu Research infrastructure to contribute to the development of technologies needed to achieve Fujitsu's goal of becoming a leading digital transformation company, implementing digital transformation within its own internal operations and delivering digital transformation solutions to its customers.
- Identify new strategic partners, with specific technical innovation expertise capable of delivering advanced technologies and be strategic collaborative partners.
- Engage in co-creation and open innovation opportunities in order to understand customer business requirements to ensure that the is aligned to reflect the needs of business, society.

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

### Realisation of Business Objectives

As an integral part of the Fujitsu Research Global Laboratories, the Company represents Fujitsu Research in Europe fulfilling the Fujitsu co-creation agile business strategy of implementing new and advanced technologies in support of Fujitsu business model to reinforce its position as a leading digital transformation (DX) company that supports the digital transformation of its customers. Close collaboration with colleagues in the FRGL resulted in significant technological successes being achieved.

The continuing effects of the Coronavirus pandemic meant that many of the technology and innovation forum events which, in previous years, have been held in various locations throughout the world were replaced by virtual online events to ensure the safety of attendees and reflect governmental advice. The Company participated in many of the Fujitsu virtual gatherings in addition to those hosted by third parties, all of which offered the opportunity to promote the reputation and ethos of Fujitsu and demonstrate the technological advances made by the Company and its commitment and contributions to development of ethical, explainable and trusted technologies.

## **Strategic Report (Continued)**

### ***1 Trusted and Ethical Technologies***

The stated purpose of the Fujitsu Group is 'to make the world more sustainable by building trust in society through innovation'.

In support of this aspiration and the issues which need to be addressed to achieve it, the Company's participation in AI4People and EU-wide initiatives focusing on ethics for Artificial Intelligence (AI) expanded significantly.

It renewed its membership in the AI4People initiative which was set up to facilitate and create a common forum for discussion of principles, policies and practices on which to build a good AI society and participated in the AI4People's virtual Annual Summit. The Company contributed to the AI4People two-year consensus initiative, launched in 2021, with the aim of establishing common, internationally recognised, industry-specific ethical standards for the design, production, use and governance of AI.

The Company continued its support of the EU plans for a new Digital Europe Programme and industry-specific recommendations for 7 AI Global Frameworks intended to help in testing and creating regulatory sandboxes which will spearhead the AI Global Mark of Compliance Initiative (AIGMC) and participated in various AI Ethical Impact assessment meetings. The European Union is in the leading position to set the AI ethical framework and be a Global rule-setter, shaping AI regulation based on common standards and on data governance. The current legal uncertainty means that there are no specific processes or technologies to put ethics in AI into practice. There is however a common understanding of the main ethical principles such as, fairness and non-discrimination, transparency, privacy, accountability, safety and security.

Working relationships established with UK's Central Digital and Data Office and the UK AI Office have resulted in the UK CDDI Office Algorithmic Transparency Standards being launched in November 2021

The Company continued to focus its internal research efforts towards the definition and technical and social requirements needed for "Trusted AI Systems". This has focused in particular on the relationship between fairness, transparency and robustness in Trusted AI Systems and the relationship between responsibility and accountability in AI Ethics.

The contributions and active participation by the Company in AI4People initiatives have played a key role in increasing the visibility and reputation of Fujitsu as a major leader in promotion and development of trusted AI and underpins the Fujitsu ethos and mission of building trust in society through innovation.

### ***2 Ground-breaking research and technologies***

The Company continued its research in development of real use case enhancements to the Fujitsu Digital Twin technology in order to enhance the technology by incorporating predictive models into streaming data processing and thus contribute to the differentiation of the Fujitsu technology over competing digital twin offerings. During the year the Company explored the use of Digital Twin technologies to address specific sustainability issues in the field of transport to achieve a reduction of harmful emissions implemented new technologies to reduce uncertainty, thus enabling Fujitsu's Dracena to be used for simulation capability on cloned digital twins to forecast a 'what-if analysis'. It is envisaged that the experience gained, and technologies developed can be implemented in other business sectors wishing to reduce their carbon footprint or to implement more efficient and sustainable operations.

Building on the AI decentralised text mining and named entity recognition technologies developed during the previous year the Company expanded its genomics innovation activities in the automated clinical encoding healthcare environment, collaborating with FRGL colleagues to define proposals for new business opportunities for the use of Ethical AI technologies applied to Healthy Living for presentation at the National Strategy of Precision Medicine for technology validation and certification ("Demonstrators in Ethics").

## Strategic Report (Continued)

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

As part of Fujitsu Research, the Company worked closely with its colleagues in FRGL and academic partners to develop and customize Fujitsu's cyber security technologies.

The Company worked with FRGL colleagues and collaborating partners to develop a prototype network architecture that can recognise and detect unseen classes of objects after being provided with only one test sample.

The Company contributed to global business development demonstrating the newly developed 3D Object Detection technology for unseen classes thereby removing the need for users to collect and label large datasets and use-case specific AI shape detection training and deployment for 3D point clouds which enables significant improvement of position detection accuracy of object detection.

### **Assessment of Performance**

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

### **Key Performance Indicators ("KPIs").**

- Creation of new technologies, innovation and intellectual property;
- Delivery of outstanding results which result in increase in-year funding and/or securing funding for the next financial year;
- New business opportunities gained by Fujitsu resulting from innovative technological contributions made by the Company;
- Completion of contracted innovation and technological developments on time and within the agreed budget;
- Contribution to Fujitsu's cutting-edge achievements as evidenced by press releases relating to or referencing Company achievements;
- Enhancement of Fujitsu reputation for achievement of state-of-the art research as demonstrated by conference papers, publications and participation at high-profile virtual events.

### **Principal Risks and Uncertainties**

The Company performs research and development and innovation to support the mission and objectives of Fujitsu Limited. As an integral part of Fujitsu Research Global Laboratories, the Company does not perform work for non-Fujitsu organisations and relies on the securing funding from companies within the Group, research and proof-of-business collaboration opportunities and funding grants available under open-tender European research projects. The Company receives the majority of funding from Fujitsu Limited and is therefore not exposed to the normal uncertainties and financial risks experienced by organisations trading on the open market.

## Strategic Report (Continued)

### Organisation and Research Themes

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

- Artificial Intelligence research (AIR) with focus on ethical AI, explainable AI, advance deep learning, predictive learning and creative information analytics. AIR researchers are located in the U.K. office and Madrid facilities.
- Inspired Quantum Computing and HPC research, with particular focus on digital annealer, deep anomaly detection contributing to the development of applications and deep learning optimization techniques required by the next generation of super computers
- Digital Transformation research encompassing, AI for cyber security reflecting a key element of Fujitsu's commitment to create innovation which contributes to a trusted, safer, more prosperous human centric society.

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



**Adel Rouz**  
*Director*

*31<sup>st</sup> October 2022*

## **Directors' Report**

### **The Board of Directors**

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

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

### **Post period resignations**

None

### **Post period appointments**

None

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

### **In period significant events**

#### **1           Change in shareholder:**

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

#### **2           Change of Company name:**

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

### **Political and charitable contributions**

The Company made no charitable contributions during the financial year (2021: nil):  
No political donations were made during the financial year (2021: nil).

### **Disclosure of information to the auditor**

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

### **Financial Risk Management**

Details of risks and policies for mitigating them are set out in Note 19

### **Brexit**

On 1 January 2021 the transition phase ended; result being that the UK is no longer part of the European Union. The Company continues to be satisfied that it has procedures and processes in place to operate in the post-Brexit regime and believes there are no events nor circumstances related to Brexit that may cast significant doubt on the Company's ability to continue as a going concern.

## Directors' Report (Continued)

### Impact of Covid-19

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

### Going Concern

The hostilities between Ukraine/Russia have had no supply chain impacts on the Company.

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

The merger by absorption of Fujitsu Laboratories Limited into Fujitsu Limited with effect from 1 April 2021 means that Fujitsu Limited is now the sole shareholder of the Company with effect from that date. The financial statements for the period ended 31 March 2022 show that the Company has a strong cash reserve and it has no external loans.

R&D funding has been secured for financial year commencing 1 April 2022 and, based on management cash flow analysis prepared for the period 1 April - 31 October 2023, the Company is forecast to be liquid. Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and, that there are no events nor circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

### Dividends

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

### International Financial Reporting Standards

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

### Auditor

Ernst and Young (E&Y) LLP served as auditor for financial year ended 31 March 2022.

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

By order of the board



Adel Rouz  
Director

2<sup>nd</sup> Floor (West)  
The Urban Building  
3-9 Albert Street  
Slough, SL1 2BE

31<sup>st</sup> October 2022

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) and applicable law.

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

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

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

## **Independent auditor's report to the members of Fujitsu Research of Europe Limited (formerly: Fujitsu Laboratories of Europe Limited)**

### **Opinion**

- We have audited the financial statements of Fujitsu Research of Europe Limited (the 'Company') for the year ended 31 March 2022 which comprise the Income Statement, the Statement of Comprehensive Income, Balance Sheet, the Statement of Changes in Equity and the Cash Flow Statement, and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 October 2023.

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

### **Other information**

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

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

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

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

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement out on page 4 , the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are Companies Act 2006 and International Accounting Standards as well

as the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its domestic operations, including health and safety, employees, data protection and anti-bribery and corruption.

- Based on our understanding we designed our audit procedures to identify non-compliance with these laws and regulations and to respond to the assessed risks. Our procedures included verifying that material transactions are recorded in compliance with International Accounting Standards and where appropriate Companies Act 2006. Compliance with other operational laws and regulations was covered through inquiry with management and the Directors, reviewing board minutes and correspondence with relevant authorities with no indication of non-compliance identified.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur through internal team conversations and inquiry of management and those charged with governance. Based on these procedures we determined there to be a risk of management override relating to expense recognition.
- We selected a sample of expense transactions recognised and performed detailed testing. This involved vouching expenses recognised in the period against source documentation including 3rd party invoices and bank statements.
- The risk of material misstatement through management override was addressed through leading journal entries and other adjustments for appropriateness.

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

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purposes. In the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

Joan S. Turner  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Reading  
31<sup>st</sup> October 2022

## Income Statement

<b>for the year ended 31 March 2022</b>	Note	2022	2021
		£	£
Revenue	20	4,107,724	4,880,415
Other income	22	248,775	265,028
Research and development expenditure	7	<u>(3,301,034)</u>	<u>(3,936,234)</u>
<b>Gross profit</b>		<b>1,055,466</b>	<b>1,209,209</b>
Administrative expenses		<u>(530,730)</u>	<u>(551,811)</u>
<b>Operating profit</b>		<b>524,736</b>	<b>657,398</b>
Financial income	6	474	946
Exchange loss	6	<u>(23,501)</u>	<u>(25,717)</u>
<b>Net finance expense</b>		<b>(23,027)</b>	<b>(24,771)</b>
<b>Profit before tax</b>		<b>501,709</b>	<b>632,627</b>
Taxation		<u>(52,605)</u>	<u>(5,329)</u>
<b>Profit for the year</b>		<b><u>449,104</u></b>	<b><u>627,298</u></b>

## Statement of Comprehensive Income for the year ended 31 March 2022

	2022	2021
	£	£
<b>Profit for the year</b>	<u>449,104</u>	<u>627,928</u>
<b>Total comprehensive income</b>	<u>449,104</u>	<u>627,928</u>

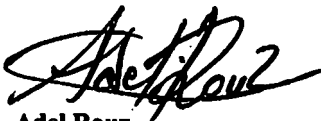
The notes on pages 15 to 33 form part of these financial statements.

**Balance Sheet**  
 As at 31 March 2022

	Note	2022	2021
		£	£
<b>Non-current assets</b>			
Property, plant and equipment	9	507,213	108,058
Rent Deposit		-	34,829
Intangible assets	10	10,650	15,975
Deferred tax asset	13	156,268	102,624
		<u>674,131</u>	<u>261,486</u>
<b>Current assets</b>			
Other financial assets	12	604,805	604,445
Trade and other receivables	14	1,056,758	1,169,476
Cash and cash equivalents	15	5,995,511	5,658,952
		<u>7,657,074</u>	<u>7,432,873</u>
<b>Total assets</b>		<u>8,331,205</u>	<u>7,694,359</u>
<b>Non Current liabilities</b>			
Lease Liability	11	451,089	19,118
<b>Current liabilities</b>			
Trade and other payables	16	718,599	962,828
<b>Total liabilities</b>		<u>1,169,688</u>	<u>981,946</u>
<b>Equity</b>			
Share capital	17	670,000	670,000
Retained earnings		6,491,517	6,042,413
<b>Total equity</b>		<u>7,161,517</u>	<u>6,712,413</u>

The notes on pages 15 to 34 form part of these financial statements.

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



Adel Rouz  
 Director  
 Company Registered No.4153469

31<sup>st</sup> October 2022

**Statement of Changes in Equity  
 for the year ended 31 March 2022**

	<b>Share capital £</b>	<b>Retained earnings £</b>	<b>Total Equity £</b>
Balance at 1 April 2020	670,000	5,415,115	6,085,115
Total comprehensive income			
Profit for the period	-	627,298	627,298
Balance at 31 March 2020	<u>670,000</u>	<u>6,042,413</u>	<u>6,712,413</u>
Balance at 1 April 2021	670,000	6,042,413	6,712,413
Total comprehensive income			
Profit for the period	-	449,104	449,104
Balance at 31 March 2022	<u>670,000</u>	<u>6,491,517</u>	<u>7,161,517</u>

The notes on pages 15 to 34 form part of these financial statements.

**Cash Flow Statement**  
**for the year ended 31 March 2022**

	Note	2022	2021
		£	£
<b>Cash flows from operating activities</b>			
Profit for the year		449,104	627,298
Adjustments for:			
Depreciation, amortisation and impairment		128,608	112,034
Financial income	6	(474)	(946)
Exchange Loss	6	6,736	8,028
Deferred tax charge	13	(8,196)	(1,433)
Taxation	8	60,801	6,762
		636,579	751,743
Decrease in trade and other receivables		41,452	653,813
Increase in Long Term Lease Liability		431,971	19,118
(Decrease)/Increase in trade and other payables		(193,595)	5,483
		279,828	678,414
<b>Net cash from operating activities</b>		916,407	1,430,157
<b>Cash flows from investing activities</b>			
Acquisition of intangible asset software		-	(15,975)
Acquisition of property, plant and equipment (Excl. ROU Asset)		(5,548)	(29,834)
Acquisition of property, plant and equipment (ROU Asset)		(516,931)	(121,294)
		(522,479)	(167,103)
<b>Net cash from investing activities</b>		393,928	1,263,054
<b>Cash flows from financing activities</b>			
Payment of principle portion of lease payment	11	(50,054)	-
Payment of interest on lease payment	11	(579)	-
Net cash from financing activities		(50,633)	-
<b>Net increase in cash and cash equivalents</b>		343,295	1,263,054
Net cash on unrealised forex		(6,736)	(8,028)
Cash and cash equivalents at 1 April		5,658,952	4,403,926
<b>Cash and cash equivalents at 31 March</b>	15	5,995,511	5,658,952

The notes on pages 15 to 34 form part of these financial statements.

## **Notes**

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

### **1 Basis of presentation**

Fujitsu Research of Europe Limited with registered address at 2<sup>nd</sup> Floor (West), The Urban Building 3-9 Albert Street, Slough, SL1 2BE (the "Company") is a private and limited by shares company, incorporated and domiciled in the UK.

The Company's financial statements have been prepared and approved by the directors in accordance with UK adopted international accounting standards

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

### **Basis of Accounting**

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

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

These financial statements have been prepared in accordance with UK adopted international accounting standards. The accounting policies are disclosed in Note 2.

### **Going Concern**

The hostilities between Ukraine/Russia have had no supply chain impacts on the Company.

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

The merger by absorption of Fujitsu Laboratories Limited into Fujitsu Limited with effect from 1 April 2021 means that Fujitsu Limited is now the sole shareholder of the Company with effect from that date. The financial statements for the period ended 31 March 2022 show that the Company has a strong cash reserve and it has no external loans.

R&D funding has been secured for financial year commencing 1 April 2022 and, based on management cash flow analysis prepared for the period 1 April - 31 October 2023, the Company is forecast to be liquid. Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and, that there are no events nor circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

### **Measurement convention**

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

### **Functional and presentation currency**

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

**Notes (continued)**

**2 Accounting policies**

**Use of estimates and judgements**

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

**Foreign currency**

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

**Non-derivative financial instruments**

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

**Trade and other receivables**

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

**Trade and other payables**

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

**Cash and cash equivalents**

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

**Other financial assets**

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

**Financial assets at amortised cost**

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

Notes (continued)

**2 Accounting policies (continued)**

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

**Impairment and financial assets**

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

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

*Impairment losses*

No impairment losses were recognised in the period

**Financial liabilities and equity**

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

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

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

**Property, plant and equipment**

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

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

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

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

**Notes (continued)**

**2 Accounting policies (continued)**

**Intangible assets**

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

*Amortisation*

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

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

**Employee benefits**

*Defined contribution plans*

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

*Short-term benefits*

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

**Revenue**

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

*Nature of goods and services*

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

*Transaction price*

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

**Notes (continued)**

**2 Accounting policies (continued)**

**Revenue (continued)**

**Revenue recognition**

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

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

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

**Research and development**

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

**Expenses**

**Financing income and expenses**

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

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

**Taxation**

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

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

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

**Leasing**

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

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

**Notes (continued)**

**2 Accounting policies (continued)**

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

**Separating components of a contract**

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

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

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

**Combination of contracts**

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

**Lease term**

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

**Company as a Lessee**

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

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

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

**i) Right-of-use assets**

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

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

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

**Notes (continued)**

**2 Accounting policies (continued)**

**ii) Lease liabilities**

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

**i) Subleases**

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

The Company leases building under the lease agreement. Table below demonstrates the movement on the leased asset position during the year ended 31 March 2022.

Company	Land and buildings £
Net position as at 31 March 2021	40,431
Additions	516,932
Disposals	-
Impairment (charge) / reversal	-
Depreciation charge for the year	(90,689)
Exchange difference	-
<b>Net position as at 31 March 2022</b>	<b>466,674</b>

Lease liabilities are payable as follows:

	Minimum lease payment	Interest	Principal	Minimum lease payments	Interest	Principal
	2022	2022	2022	2021	2021	2021
	£	£	£	£	£	£
<b>Company</b>						
Less than one year	50,633	579	50,054	111,873	9,697	102,176
More than one year	466,313	15,224	451,089	21,903	2,785	19,118

**Notes (continued)**

**3 Amended standards and Interpretation**

The following adopted IFRSs are not yet effective for the year ended 31 March 2022 and have not been applied by the Company in these Financial Statements. Adoption of these new Standards in the Financial Statements of future periods is not expected to have any material impact on the Company:	Applicable for the year commencing on or after:
IFRS 9 Financial Instruments – Amendment (fees in the '10 per cent' test for derecognition of financial liabilities)	1 January 2022
IAS 37 Provisions, Contingent Liability and Contingent Assets – Amendment (cost to include when assessing whether a contract is onerous)	1 January 2022
IAS 1 Presentation of Financial Statements - Amendments (definition of material)	1 January 2023
IAS 1 Presentation of Financial Statements - Amendments (disclosure of accounting policies)	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimate and Errors - Amendments (definition of accounting estimates)	1 January 2023

A number of other IFRS's which also became effective for accounting periods beginning on or after 1 January 2022, are not listed above as they are not considered applicable to financial reporting for the Company.

**Notes (continued)**

**4 Staff numbers and costs**

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

	Number of employees	
	2022	2021
Directors	1	1
Researcher	26	29
Administration	5	6
	<u>32</u>	<u>36</u>

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£	£
Wages and salaries	2,148,558	2,609,370
Social security costs	299,037	295,240
Contributions to defined contribution plans	55,527	54,989
	<u>2,503,122</u>	<u>2,959,599</u>

**5 Directors' remuneration**

	2022	2021
	£	£
Wages and salaries	190,508	177,975
Social security costs	25,070	23,348
Pension	9,336	9,273
Post-Employment Benefits	1,609	1,629
	<u>226,523</u>	<u>212,225</u>
Directors' emoluments	<u>226,523</u>	<u>212,225</u>

One of the directors received emoluments in 2022 (2021:one). The highest paid director received £226k (2021: £212k).

Pension contributions paid to directors were £9k (2021: £9k)

The remaining two directors' remuneration was borne by another subsidiary of the ultimate parent undertaking in the current year. The directors are also directors of other companies within the Fujitsu Limited group of companies. These directors' services to the company do not occupy a significant amount of their time and as such the directors do not consider that they have received any remuneration for their incidental services to the Company during the years ended 31 March 2021 and 31 March 2022.

**Notes (continued)**

**6 Finance income and expense**

**Recognised in profit or loss**

	2022	2021
	£	£
<i>Finance income</i>		
Interest income on unimpaired financial assets	<u>474</u>	<u>946</u>
<b>Total finance income</b>	<b><u>474</u></b>	<b><u>946</u></b>

*Exchange gain/(loss)*

Interest paid to Tax authorities	(153)	(944)
Interest on lease liability	(579)	(9,698)
Other Interest	(2,528)	-
Revaluation loss recognised on Euro account hold in the UK	(6,736)	(8,028)
Forex loss recognised on Spanish branch account consolidation	(2,941)	(3,170)
Realised loss recognised on other Foreign Purchase invoices	<u>(10,565)</u>	<u>(3,877)</u>
	<b><u>(23,502)</u></b>	<b><u>(25,717)</u></b>

**7 Expenses and auditor's remuneration**

**Included in profit are the following:**

	2022	2021
	£	£
Research and development expensed as incurred	3,301,034	3,936,234
Depreciation and amortisation	37,919	31,171
Depreciation on IFRS 16 asset	<u>90,689</u>	<u>80,863</u>

**Auditor's remuneration:**

	2022	2021
	£	£
Audit of these financial statements	<u>11,200</u>	<u>9,100</u>
Non Audit Service Fee	13,650	23,950

**Notes (continued)**

**8 Taxation**

**Recognised in the income statement**

	2022	2021
	£	£
Current year UK Tax expenses	(84,715)	(107,477)
Overseas tax credit	23,914	100,715
Adjustments for prior years	-	-
<b>Current tax expense</b>	<b>(60,801)</b>	<b>(6,762)</b>
Origination and reversal of temporary differences	(2,543)	(4,440)
Adjustment for prior years	1,086	5,873
Change in tax rates	9,653	-
<b>Deferred tax credit</b>	<b>8,196</b>	<b>1,433</b>
<b>Total tax expense</b>	<b>(52,605)</b>	<b>(5,329)</b>

**Reconciliation of effective tax rate**

	2022	2021
	£	£
Profit for the year	449,104	627,298
Spanish branch (profit) excluded for UK tax purposes	(45,393)	(37,941)
<b>Total tax expense</b>	<b>52,605</b>	<b>5,329</b>
<b>Profit excluding taxation for UK tax purposes</b>	<b>456,316</b>	<b>594,685</b>
Tax using the UK corporation tax rate of 19%	(86,700)	(112,990)
Non-deductible expenses	(558)	1,073
Overseas Tax	23,916	100,715
Prior year Adjustment	1,086	5,873
Change in rate	9,651	-
<b>Total tax expense</b>	<b>(52,605)</b>	<b>(5,329)</b>

The Chancellor's Budget on 3 March 2021 announced a UK corporation tax rate increase from 19% to 25%, effective from 1 April 2023. This rate change was substantively enacted on 24 May 2021. Deferred tax assets and liabilities in these financial statements continue to be measured at 25%, the enacted rate at which they are expected to reverse

**Notes (continued)**

**9 Property, plant and equipment**

	Property	Plant and equipment £	Fixtures & fittings £	R&D equipment £	Total £
Balance at 1 April 2021	121,294	187,251	28,474	3,350	340,369
Exchange Adjustments		(125)	(198)	-	(323)
IFRS16 Addition	516,931	-	-	-	516,931
Additions		5,548	-	-	5,548
<b>Balance at 31 March 2022</b>	<b>638,225</b>	<b>192,674</b>	<b>28,276</b>	<b>3,350</b>	<b>862,525</b>
Balance at 1 April 2021	80,863	119,624	28,474	3,350	232,311
Exchange Adjustments		(83)	(198)	-	(281)
Depreciation IFRS 16 Assets	90,689	-	-	-	90,689
Depreciation charge for the year		32,594	-	-	32,594
<b>Balance at 31 March 2021</b>	<b>171,551</b>	<b>152,135</b>	<b>28,276</b>	<b>3,350</b>	<b>355,312</b>
<b>Net book value</b>					
At 1 April 21	40,431	67,627	-	-	67,627
<b>At 31 March 2022</b>	<b>466,674</b>	<b>40,540</b>	<b>-</b>	<b>-</b>	<b>507,213</b>

**10 Intangible assets**

	Computer software £	Total £
<b>Cost</b>		
Balance at 1 April 2021	22,775	22,725
<b>Balance at 31 March 2022</b>	<b>22,775</b>	<b>22,775</b>
<b>Amortisation and impairment</b>		
Balance at 1 April 2021	15,975	15,975
Amortisation for the year	(5,325)	(5,325)
<b>Balance at 31 March 2022</b>	<b>10,650</b>	<b>10,650</b>
<b>Net book value</b>		
At 1 April 2021	15,975	15,975
<b>At 31 March 2022</b>	<b>10,650</b>	<b>10,650</b>

**Notes (continued)**

**11 Lease liabilities are payable as follows:**

	Minimum lease payment	Interest	Principal	Minimum lease payments	Interest	Principal
	2022	2022	2022	2021	2021	2021
	£	£	£	£	£	£
<b>Company</b>						
Less than one year	50,633	579	50,054	111,873	9,697	102,176
More than one year	466,313	15,224	451,089	21,903	2,785	19,118

**12 Other financial assets**

	2022 £	2021 £
<b>Current</b>		
Cash on deposit with Fujitsu EMEA plc.	604,805	604,445
	<u>604,805</u>	<u>604,445</u>

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

**13 Deferred tax assets**

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2022 £	2021 £
Property, plant and equipment	40,218	32,022
Spain R&D Tax Credit	116,050	70,602
Net tax assets	<u>156,268</u>	<u>102,624</u>

The Chancellor's Budget on 3 March 2021 announced a UK corporation tax rate increase from 19% to 25%, effective from 1 April 2023. This rate change was substantively enacted on 24 May 2021. Deferred tax assets and liabilities in these financial statements have been measured at 25%, the enacted rate at which they are expected to reverse.

**Movement in deferred tax during the year**

	1 April 2021 £	Recognised in income £	31 March 2022 £
Property, plant and equipment	32,022	8,196	40,218
Spain R&D Tax Credit	70,602		116,050
	<u>102,624</u>	8,196	<u>156,268</u>

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

**Notes (continued)**

**14 Trade and other receivables**

	2022	2021
	£	£
Trade receivables due from related parties	480,002	595,812
Tax receivables	300,106	456,145
Other debtors	190,330	90,709
Prepayments	86,320	26,810
	<b>1,056,758</b>	<b>1,169,476</b>

**15 Cash and cash equivalents**

	2022	2021
	£	£
Cash and cash equivalents	<b>5,995,511</b>	<b>5,658,952</b>

**16 Trade and other payables**

	2022	2021
	£	£
Trade payables	8,592	184,034
Other payables	276,956	302,950
Lease Liability	451,089	19,118
Accrued expenses	433,051	443,739
Contract liabilities	-	32,105
	<b>1,169,688</b>	<b>981,946</b>

**17 Retirement benefits**

The Company operates a defined contribution pension plan (Fujitsu Group Personal Pension Plan). The total pension cost charged to income statement in the current year was £55,527 (2021: £54,989). There are no prepayments or amounts outstanding at the year end (2021: £nil).

**18 Capital and reserves**

	2022	2021
	£	£
Share capital		
Allotted, called up and fully paid		
670,000 ordinary shares of £ 1 each	<b>670,000</b>	<b>670,000</b>

## Notes (continued)

### 19 Financial instruments

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

#### Credit risk

##### *Financial risk management*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. The Company has a low credit risk as it transacts primarily with other group companies and governments.

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

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

##### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £1,449,632 for the Financial year ending 31<sup>st</sup> March 2022 (2021: 1,797,972) being the total of the carrying amount of receivables shown in the table below.

The maximum exposure to credit risk is as follows:

	2022 £	2021 £
Japan	480,002	596,013
U.K.	853,580	1,086,436
Europe	116,050	115,523
	<u>1,449,632</u>	<u>1,797,972</u>

**Notes (continued)**

**19 Financial instruments (continued)**

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

	2022 £	2021 £
Related party	1,084,808	1,200,458
Government bodies	364,824	597,514
	1,449,632	1,797,972

*Credit quality of financial assets and impairment losses*

The aging of receivables at the balance sheet date was:

	Gross 2022 £	Impairment 2022 £	Gross 2021 £	Impairment 2021 £
Not past due	1,449,632	-	1,797,972	-
	1,449,632	-	1,797,972	-

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a low liquidity risk as there is no financial liability and some of the payable balances are in the nature of time difference adjustments, such as un-received invoices. The actual trade payable has been all paid in April 2022.

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

	2022 Carrying amount £	1 year or less £	2021 Carrying amount £	1 year or less £
Trade and other payables	1,169,688	718,599	981,946	962,135
	1,169,688	718,599	981,946	962,135

**Market risk**

*Financial risk management*

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

**Notes (continued)**

**19 Financial instruments (continued)**

**Interest rate risk**

**Profile**

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

Fixed rate instruments

	2022	2021
	£	£
Financial assets	<u>604,805</u>	<u>604,445</u>

*Sensitivity analysis*

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

**Capital management**

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

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

**20 Related parties**

At 31 March 2022 Fujitsu Limited, which is the Company's immediate parent, directly held 100% of the voting shares of the Company.

*Identity of related parties*

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

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

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

	2022	2021
	£	£
Key management emoluments including social security costs	<u>226,523</u>	<u>212,225</u>

## Notes (continued)

### 20 Related parties (continued)

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

#### Related party transactions

	<u>Sales to</u>		<u>Purchase from</u>	
	2022 £	2021 £	2022 £	2021 £
<b>Japan</b>				
Fujitsu Laboratories Limited, Japan	-	4,526,059	-	-
Parent (Fujitsu Limited, Japan)	<u>4,107,724</u>	<u>271,600</u>	<u>89,131</u>	<u>168,645</u>
	<u>4,107,724</u>	<u>4,797,659</u>	<u>89,131</u>	<u>168,645</u>
<b>UK</b>				
Fujitsu Services Limited	-	81,756	120,810	181,717
	-	81,756	120,810	181,717
<b>Europe</b>				
Fujitsu Technology Solutions BV	-	1,000	-	-
Fujitsu Technology Solutions SP	-	-	268,211	335,564
Fujitsu Systems Europe Ltd	-	-	15,657	-
	-	1,000	283,868	335,564
<b>Grand Total</b>	<u>4,107,724</u>	<u>4,880,415</u>	<u>493,809</u>	<u>685,926</u>

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

	Receivables outstanding		Payables outstanding	
	2022 £	2021 £	2022 £	2021 £
Fujitsu Laboratories Ltd, Japan	-	456,639	-	-
Parent (Fujitsu Ltd. Japan)	480,002	138,374	-	15,111
Fujitsu Services Limited	-	-	-	78,446
Fujitsu Technology Solution BV	-	1,000	-	-
Fujitsu Technology Solution SP	-	-	-	30,923
Fujitsu Laboratories of Europe, Sucursal en Espana	-	-	-	102,528
	<u>480,002</u>	<u>596,013</u>	<u>-</u>	<u>227,008</u>

All receivables and payables are subject to standard terms of 30 days, except for receivables from Fujitsu EMEA PLC, which is a cash deposit of a short-term nature. The company has a low risk of bad debt as it transacts with other group companies.

**Notes (continued)**

**21 Sources of Revenue**

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

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

	2022	2021
	£	£
Revenue from contracts with Customers	<u>4,107,724</u>	<u>4,880,415</u>

**Disaggregation of Revenue**

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

**Total Revenue by Geography**

	2022	2021
	£	£
Japan	4,107,724	4,797,659
UK	-	81,756
Europe	-	1,000
Canada	-	-
	<u>4,107,724</u>	<u>4,880,415</u>

**22 Other Income**

	2022	2021
	£	£
Research & Development Expenditure Credit	<u>248,775</u>	<u>265,028</u>

**23 Ultimate parent Company and parent Company of larger group**

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

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

**24 Subsequent events**

There are no Subsequent events