

NEC Europe Ltd

Registered No. 02832014

NEC Europe Ltd

Annual Report and Financial Statements

For the year ended 31 March 2021

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COMPANIES HOUSE

NEC Europe Ltd

Registered No. 02832014

Directors

Mr C.R. Jackson
Mr Y. Lin
Mr C.E. Mills
Mr M. Murooka
Sir R. Needham

Secretary

Mr C Mills

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Banker

HSBC Bank plc
8 Canada Square
London
E14 5HQ

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Contents

| | |
|---|----|
| Strategic Report | 4 |
| Directors' report | 7 |
| Statement of Directors' Responsibilities | 9 |
| Independent auditor's report to the members of NEC Europe Ltd | 10 |
| Profit and Loss Account | 14 |
| Statement of Other Comprehensive Income | 15 |
| Balance sheet | 16 |
| Statement of Changes in Equity | 17 |
| Notes to the Financial Statements | 18 |

Strategic Report

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

Results

The profit and loss account shows a loss before tax for the year of €12,098,000 (2020: loss €17,731,000) and loss for the year after taxation of €12,864,000 (2020: loss €17,910,000). Total comprehensive loss for the year was €17,807,000 (2020: loss €13,867,000).

The results include the figures of all branches of NEC Europe Ltd, namely, Hungary and Belgium.

Principal activity and review of business

NEC Europe Ltd is a wholly owned subsidiary of NEC Corporation, the ultimate parent company. NEC Europe Ltd owns the majority of share capital of NEC's Business and Network Solutions marketing and distribution subsidiaries in Europe and Africa.

The principal activity of the Company and its subsidiaries is the purchase and supply of systems, components, services and integrated solutions for computing and communications applications, as well as high performance computing solutions and alternative energy solutions. The Company itself holds investments in the subsidiaries and manages the supply of equipment from its parent company to its subsidiaries in the region. It generates its revenues from the intercompany IT solutions and Network solutions businesses and fulfils centralised regional functions for the operations of the region. It also receives retainer fees from its parent company for the continued development of the region. The retainer income is based on agreed service level agreements for work and undertakings performed in the region. In addition the Company acts as principal in respect of the group borrowing facilities through which a sister group company provides funding for the operations in the region which are then lent on to its subsidiaries.

Each year the Company considers the position of each material subsidiary and, if appropriate, the projections and expectations for cash flows of that business. As part of that review the Company identified net impairments relating to investments and of funding provided to subsidiaries of €5,352,000 (2020: impairment of €8,701,000).

During the year the Company's share of the pension fund moved from a surplus of €28,614,000 to €21,195,000, resulting from increased pension obligations due to changes in financial assumptions.

Key Performance Indicators (KPI's)

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

Sales have decreased by 13% to €36,558,000 (2020: decreased by 20% to €42,062,000). The Loss on ordinary activities has decreased to € 15,465,000 (2020: Loss €18,553,000) due to a higher gross profit, albeit with a higher impairment of its investments in subsidiaries.

Going Concern

Notwithstanding net current liabilities of €134,087,000 as at 31 March 2021, and a loss for the year then ended of €12,864,000 the directors have prepared the financial statements on a going concern basis, and considered it appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, with support from group companies, the Company will continue to hold sufficient cash balances to enable it to continue to meet its obligations as they fall due.

To fund these cash balances an intercompany loan facility was put in place between the Company and NEC Capital (UK) Plc, ultimately funded by NEC Corporation (the ultimate parent company). As at 31 March 2021, the loan facility that the Company could draw down was €173.0 million, with a due date of May 2021. At 31 March 2021 the amount drawn on this facility was €139,564,155 (2020: €159,744,413). As of the date of signing these financial statements the total loan facility has been renewed and the amount the company can draw down is €138.0 million with a due date of 31 May 2023. As at the date of approval of these financial statements, €23.4 million of this facility remains undrawn and available.

The Company is dependent on NEC Capital (UK) Plc renewing the facility beyond the current due date of May 2023. The Directors of NEC Europe Limited anticipate that the loan facility will be renewed in May 2023 for a further year at a similar amount to the current draw down limit.

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

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

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

COVID-19

The directors closely monitor the situation with regard to COVID-19, and recognise that the pandemic presents risks to the Company's employees, customers and suppliers. The directors have put in place policies and procedures to control and mitigate those risks so that the Company continues to operate efficiently while prioritising the health and wellbeing of its employees.

Brexit

Following the UK departure from the EU on the 31st January 2020 and the transition period that followed the Company reviewed the changed situation on a regular basis through its Brexit committee. It has mitigated its risk in supply chain, cash flows and workforce where ever possible. The Brexit committee ceased its activities as the additional operational and administrative impact has been incorporated in its normal business processes.

Energy and Carbon Reporting (SECR)

The Company is a low energy user as defined in the SECR and therefore does not report its energy and carbon information.

Future developments

The directors of the NEC Europe Group are looking to achieve growth through investment in emerging markets.

Within the more developed countries in Europe NEC will concentrate on creating and winning new business opportunities in its core businesses. Investment will be made in future business opportunities such as in the business areas of Optical and 5G. NEC will continue to review profitability in all businesses and implement the necessary changes to improve growth.

Our budget for 2022/2023 is based on realistic assumptions and on modest growth in selected areas, especially in the business of Smart Enterprise Solutions (software and services solutions). Nevertheless the realisation of the budget is highly dependent being able to solve the current global shortages of chips and semiconductors. The Company has taken dedicated action to deal with the current challenges the shortages create for its business.

On behalf of the board

C Mills
Company Secretary

Date: 16 August 2022



Director's report

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

Dividends

The directors do not recommend the payment of a dividend (2020: €nil)

Employee Policy

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

Financial risks and uncertainties

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

Credit risk

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

Foreign exchange risk

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

Interest rate risk

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

Liquidity risk

The Company is funded partly through its loan facility with NEC Capital (UK) Plc and by its retained profits. The Company participates in a cash pooling arrangement with fellow Group subsidiaries. The directors consider that the available sources of funds are adequate for the Company's operations.

Pension risk

The Company has over the last few years taken steps to reduce risk from the DB scheme, including closing the scheme to future accrual in June 2009 and running an Enhanced Transfer Value Exercise during the first half of 2010. The Company, on behalf of the participating employers, agreed a satisfactory recovery plan with the Trustees after considering the deficit position reported in the 2015 Actuarial Valuation. The deficit payments with regard to this plan ceased in March 2020.

Creditor payment policy

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

Political and Charitable contributions

The Company made charitable donations of €3,094 (2020: €13,000). The Company made no political donations or incurred any political expenditure during the year (2020: nil).

Directors

The directors who served during the financial year are listed below:

Mr T Matsuki (Resigned 1st April 2022);
Mr. T. Otake (Resigned 1st April 2022);
Sir R Needham; and
Mr C Jackson (Appointed 1st April 2020)

Other information

An indication of likely future developments in the business and business risks have been included in the Strategic Report.

Research and development

Research and development activities are mainly carried out by the parent company NEC Corporation in Japan, in cooperation with NEC Laboratories, Germany, a 100% subsidiary of NEC Europe Ltd. NEC Europe Ltd carries out limited Research & development activities.

Section 172 statement

Under section 172 of the Companies Act 2006 the Directors have a responsibility when carrying out their duty to promote the Company's success for its shareholder during the financial year to have regard (amongst other matters) to the following:

- Likely long-term consequences of decisions;
- Employees' interest;
- Fostering business relationships with suppliers, customers and others;
- Operational impacts on the community and environment; and
- Desirability of maintaining reputation for high standards of business conduct.

The Directors consider all stakeholders when making important strategic decisions. The Directors understand that it will not always be possible to provide positive outcomes for all stakeholders on the same decision, but believe that they act fairly and consider the long-term consequences of decisions.

Section 54 of the MSA 2015 require require qualifying organisations to submit an annual modern slavery statement and to publish it on their website. The annual modern slavery statement can be found on the website of the Company and our ultimate parent NEC Corporation. Where applicable it is also published on the official registry.

Disclosure of information to 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 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.

Auditor

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

On behalf of the board

C Mills

Company Secretary



Date: 16 August 2022

Statement of directors' responsibilities in respect of the Directors' report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and reliable;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Independent auditor's report to the members of NEC Europe Ltd

Opinion

We have audited the financial statements of NEC Europe Ltd ("the Company") for the year ended 31 March 2021 which comprise the Profit and Loss Account, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is simple in nature and arises primarily from intergroup sales.

We did not identify any additional fraud risks.

We performed procedures including:

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

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

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

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

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

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

The Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the 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 these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

The directors are responsible for the strategic report and 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 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 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 or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, 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.

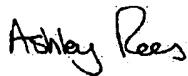
Auditor's responsibilities

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/auditorsresponsibilities.

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

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



Ashley Rees (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

17 August 2022

Profit and Loss Account

for the year ended 31 March 2021

| | <i>Notes</i> | 2021 €'000 | 2020 €'000 |
|--|--------------|-----------------------------|-----------------------------|
| Turnover | 2 | 36,558 | 42,062 |
| Cost of Sales | | (29,945) | (41,101) |
| Gross profit | | 6,613 | 961 |
| Distribution costs | | (478) | (380) |
| Administration expenses | | (21,866) | (23,118) |
| Other operating income | 3 | 18,824 | 13,695 |
| Net foreign exchange profit/ (loss) | | 199 | (534) |
| Restructure | | 728 | 325 |
| Operating profit/(loss) | | 4,020 | (9,051) |
| Impairment of assets | 4 | (16,143) | (8,701) |
| Other interest receivable and similar income | 5 | 1,005 | 1,693 |
| Income from shares in group undertakings | | 277 | 89 |
| Interest payable and similar expenses | 6 | (1,257) | (1,761) |
| Loss before taxation | | (12,098) | (17,731) |
| Tax on losses | 9 | (766) | (179) |
| Loss for the financial year | | (12,864) | (17,910) |

The notes on pages 18 to 42 form part of these financial statements.

Statement of Other Comprehensive Income

| | | 2021 | 2020 |
|---|-------|-----------------|-----------------|
| | Notes | €'000 | €'000 |
| Loss for the year | | (12,864) | (17,910) |
| Other comprehensive income: | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Actuarial loss and exchange difference recognised in the defined benefit pension scheme | 18 | (8,959) | 6,693 |
| Foreign exchange adjustments (incl on pension scheme) | | 1,346 | (563) |
| Withholding tax on pension scheme asset | 16 | 2,670 | (2,087) |
| Total comprehensive income for the year | | (17,807) | (13,867) |

The notes on pages 18 to 42 form part of these financial statements.

Balance Sheet

at 31 March 2021

| | | 2021 | 2021 | 2020 | 2020 |
|---|-------|---------------|-----------------|---------------|-----------------|
| | Notes | €'000 | €'000 | €'000 | €'000 |
| Fixed assets | | | | | |
| Tangible assets | 10 | | 896 | | 1,599 |
| Investments | 11 | | 23,353 | | 28,704 |
| Pension surplus | 18 | | 21,195 | | 28,614 |
| | | | <u>45,444</u> | | <u>58,917</u> |
| Current assets | | | | | |
| Stock | 12 | 1,121 | | 762 | |
| Debtors | 13 | 61,702 | | 80,906 | |
| Cash and cash equivalents | 14 | 92 | | 978 | |
| | | <u>62,915</u> | | <u>82,646</u> | |
| Creditors: amounts falling due within one year | 15 | (197,002) | | (207,782) | |
| Net current liabilities | | | (134,087) | | (125,136) |
| Total assets less current liabilities | | | <u>(88,643)</u> | | <u>(66,219)</u> |
| Creditors: amounts falling Due after one year | 16 | | (7,918) | | (11,526) |
| Provisions for liabilities | 17 | | (2,391) | | (3,400) |
| Net assets | | | <u>(98,952)</u> | | <u>(81,145)</u> |
| Capital and reserves | | | | | |
| Called up share capital | 21 | | 187,871 | | 187,871 |
| Profit and loss account | | | (286,823) | | (269,016) |
| Shareholders' funds | | | <u>(98,952)</u> | | <u>(81,145)</u> |

The notes on pages 18 to 42 form part of these financial statements.

These financial statements were approved by the Board of Directors on 16 August 2022 and were signed on its behalf by:

C. Mills
Director



Statement of Changes in Equity

at 31 March 2021

| | <i>Called up Share capital</i> | <i>Profit & Loss account</i> | <i>Total equity</i> |
|--|------------------------------------|--|-------------------------|
| | €'000 | €'000 | €'000 |
| Balance at 1 April 2020 | 187,871 | (269,016) | (81,145) |
| Total comprehensive income for the year: Loss for the year | - | (12,864) | (12,868) |
| Other comprehensive income | - | (4,943) | (4,943) |
| Total comprehensive loss for the year | - | (17,807) | (17,807) |
| Balance at 31 March 2021 | 187,871 | (286,823) | (98,952) |

| | <i>Called up Share capital</i> | <i>Profit & Loss account</i> | <i>Total equity</i> |
|--|------------------------------------|--|-------------------------|
| | €'000 | €'000 | €'000 |
| Balance at 1 April 2019 | 187,871 | (255,149) | (67,278) |
| Total comprehensive income for the year: | | | |
| Loss for the year | - | (17,910) | (17,910) |
| Other Comprehensive Income | - | 4,043 | 4,043 |
| Total comprehensive loss for the year | - | (13,867) | (13,867) |
| Balance at 31 March 2020 | 187,871 | (269,016) | (81,145) |

The notes on pages 18 to 42 form part of these financial statements.

Notes to the financial statements

at 31 March 2021

1. Accounting policies

General

NEC Europe Ltd (the “Company”) is a private company incorporated, domiciled and registered in the UK. The registered number is 02832014 and the registered address is Odyssey Business Park, West end Road, South Ruislip, Middlesex, HA4 6QE.

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

Consolidated financial statements

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

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

Basis of preparation

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

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

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

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

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

- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year have been assessed. The key assumptions within the Company's defined benefit pension scheme are included in note 18 and those related to Investments are included in note 11.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

Notwithstanding net current liabilities of €134,087,000 as at 31 March 2021, and a loss for the year then ended of €12,864,000 the directors have prepared the financial statements on a going concern basis, and considered it appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, with support from group companies, the Company will continue to hold sufficient cash balances to enable it to continue to meet its obligations as they fall due.

To fund these cash balances an intercompany loan facility was put in place between the Company and NEC Capital (UK) Plc, ultimately funded by NEC Corporation (the ultimate parent company). As at 31 March 2021, the loan facility that the Company could draw down was €173.0 million, with a due date of May 2021. At 31 March 2021 the amount drawn on this facility was €139,564,155 (2020: €159,744,413). As of the date of signing these financial statements the total loan facility has been renewed and the amount the company can draw down is €138.0 million with a due date of 31 May 2023. As at the date of approval of these financial statements, €23.4 million of this facility remains undrawn and available.

The Company is dependent on NEC Capital (UK) Plc renewing the facility beyond the current due date of May 2023. The Directors of NEC Europe Limited anticipate that the loan facility will be renewed in May 2023 for a further year at a similar amount to the current draw down limit.

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

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

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

Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

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

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

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

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

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

(b) Sales / Purchases

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

(iii) Classification and subsequent measurement

(c) 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.

(d) Subsequent measurement and gains and losses

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

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

(iv) Impairment

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

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

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

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

The company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

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

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

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

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

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

Measurement of ECLs

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

Write-offs

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

(v) Derecognition

Financial assets

The Company derecognises a financial asset when:

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

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

Financial liabilities

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

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

Turnover

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

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

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

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

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

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as accruals and deferred income in the statement of financial position (see Note 15). Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises a trade receivable in its statement of financial position when it invoices the customer and has a contractual right to receive cash. The Company recognises a contract asset in its statement of financial position when the Company's right to consideration in exchange for goods or services is conditioned on something other than the passage of time.

Goods and Software

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

Provision of Services

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

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

Construction of telecommunication systems

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Provision is made for depreciation at rates calculated to write off the cost of fixed assets in equal annual installments over their estimated useful lives. The principal annual rates in use are:

| | | |
|---------------------------------|---|--|
| Freehold property | – | 2% straight line basis per annum |
| Leasehold improvements | – | 10% or over the period of the lease if shorter |
| Fixtures and fittings | – | 10-33% straight line basis per annum |
| Computer equipment and vehicles | – | 10-33% straight line basis per annum |

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying values may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Taxation

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

Non-monetary assets and liabilities denominated that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

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

Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

• ***Employee benefits***

Pension costs- defined benefit plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

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

NEC Europe Ltd, in conjunction with other fellow subsidiary undertakings of NEC Corporation, operates a defined benefit staff pension scheme, which requires contributions to be made to a separately administered fund.

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

The interest cost and the expected return on assets are shown as net amount of other costs or credits adjacent to interest.

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

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

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

Gain and loss on disposal of investments

The Company recognises any gains or losses from the disposal of investments held through the profit & loss account in the year of disposal.

Research and Development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Provisions

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

Reserves

The Company's reserves are as follows:

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

2. Turnover

Disaggregation of revenue

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

Analysis of turnover by activity

| | 2021 | 2020 |
|-----------------------|---------------|---------------|
| | €'000 | €'000 |
| Sale of goods | 33,149 | 36,765 |
| Provision of services | 3,409 | 5,297 |
| | <u>36,558</u> | <u>42,062</u> |

Analysis of turnover by geographical market

| | 2021 | 2020 |
|-----------------|---------------|---------------|
| | €'000 | €'000 |
| United Kingdom | 5,661 | 6,309 |
| Other Locations | 30,897 | 35,753 |
| | <u>36,558</u> | <u>42,062</u> |

3. Other operating income

| | 2021 | 2020 |
|---|---------------|---------------|
| | €'000 | €'000 |
| Retainer fee income from parent undertaking | 18,346 | 13,695 |
| Commission fee income | 478 | - |
| | <u>18,824</u> | <u>13,695</u> |

4. Profit and Loss before taxation

Loss before taxation is stated after charging:

| | 2021 €'000 | 2020 €'000 |
|---|-------------------|-------------------|
| Operating lease rental – land and buildings | - | - |
| Operating lease rental – other | - | - |
| Research and development | 664 | 786 |
| Depreciation | 198 | 212 |
| Depreciation of Right-of-use assets | 497 | 459 |
| | <u> </u> | <u> </u> |
| | 2021 €'000 | 2020 €'000 |
| Impairment of assets: | | |
| Reversal of impairment | (3,527) | (9,060) |
| Impairment of investments | 8,879 | 5,690 |
| Impairment of long term amounts due from subsidiaries | 10,791 | 12,071 |
| | <u> </u> | <u> </u> |
| | 16,143 | 8,701 |

Impairments of investments and long term amounts due from subsidiaries primarily relates to the Company subsidiaries in Germany, Netherlands and South Africa.

| | 2021 €'000 | 2020 €'000 |
|---|-------------------|-------------------|
| Auditor's remuneration: | | |
| - Audit of these financial statements | 147 | 181 |
| - Audit of financial statements of subsidiaries pursuant to legislation | 970 | 1,107 |
| - Other services relating to taxation for Company and subsidiaries | 26 | 227 |
| - Audit related assurance services | - | - |
| - Other professional services | - | 97 |
| | <u> </u> | <u> </u> |

5. Other interest receivable and similar income

| | 2021 €'000 | 2020 €'000 |
|---|-------------------|-------------------|
| Interest receivable on cash deposited with associated company | 777 | 1,123 |
| Net return from Defined Benefit Pension | 228 | 570 |
| | <u> </u> | <u> </u> |
| | 1,005 | 1,693 |

6. Interest payable and similar expenses

| | 2021 €'000 | 2020 €'000 |
|---|----------------|----------------|
| Interest payable on loan facility with fellow company | (1,207) | (1,700) |
| Other Interest payable | (45) | (42) |
| Interest payable lease liabilities | (5) | (19) |
| | <u>(1,257)</u> | <u>(1,761)</u> |

7. Staff numbers and costs

| | 2021 €'000 | 2020 €'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 10,437 | 14,789 |
| Social security costs | 980 | 1,264 |
| Pension costs | 654 | 760 |
| | <u>12,071</u> | <u>16,813</u> |

The average number of employees during the year was as follows:

| | 2021 No. | 2020 No. |
|--------------------|-------------|-------------|
| UK | 121 | 119 |
| Continental Europe | - | - |
| | <u>121</u> | <u>119</u> |

The charge relating to the defined contribution pension scheme for the period represents contributions payable by the Company to the scheme and amounted to €654,371 (2020: €760,403). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

8. Directors' emoluments

The aggregate directors' emoluments amounted to €1,042,146 (2020: €764,070), including pension contributions of €nil (2020: €nil). There were no payments to the directors from any subsidiaries of the Company.

The emoluments of the highest paid director were €515,024 (2020: €334,552).

Three directors (2020:2) performed no executive function and received no remuneration in respect of services to the Company and its subsidiaries.

9. Tax

Recognised in the profit and loss account

| | 2021 €'000 | 2020 €'000 |
|--|---------------|---------------|
| <i>Current tax:</i> | | |
| Current tax on income for the period | - | - |
| Adjustments in respect of previous years | 645 | (641) |
| Taxation of overseas profits | 48 | 161 |
| Total current tax charge | 693 | (480) |
| <i>Deferred tax:</i> | | |
| Withholding tax on Defined Benefit Asset | 73 | 659 |
| Total deferred tax | 73 | 659 |
| Tax on Loss on ordinary activities | 766 | 179 |

Reconciliation of tax expense

| | 2021 €'000 | 2020 €'000 |
|--|---------------|---------------|
| Loss for the year | (12,864) | (17,910) |
| Total Tax expense | 766 | 179 |
| Loss on ordinary activities before taxation | (12,098) | (17,731) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK at 19% (2020 – 19%) | (2,299) | (3,369) |
| Unrecognised deferred tax, relating to originating and reversal of timing differences | (29) | (1,150) |
| Adjusted relief on pension contributions paid | - | (734) |
| Current year losses for which no deferred tax asset was recognised | 2,392 | 3,509 |
| Withholding tax on Defined Benefit Pension Surplus | 73 | 659 |
| Taxation on overseas profits | 48 | 161 |
| Impairment and other expenses not deductible for tax purposes | (117) | 1,761 |
| Income not taxable | 53 | (17) |
| Group relief surrender for prior years | 645 | (641) |
| Total tax expense | 766 | 179 |

The directors reviewed the Deferred tax balances at 31 March 2021 and they cannot predict with sufficient certainty the generation of taxable profits against which they would be realised.

The Company has not recognised deferred tax assets at 19% (2020:19%) in respect of depreciation in excess of capital allowances of €1,983,204 (2020: €1,983,204), provisions not allowed for tax purposes of €191,710 (2020: €1,334,750), and tax losses carried forward of €30,259,027 (2020:€ 33,631,111).

The directors consider sufficient analysis has been undertaken in respect of periods up to 31 March 2020 to recognise submitted and anticipated group relief claims within the NEC Europe Ltd group, but no such claims have yet been assessed or recognised in respect of the year ended 31 March 2021. The impact of group relief claims in respect of other UK entities within the NEC Corporation group is recognised when a claim is submitted and there is reasonable certainty it will be agreed.

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. The change, which was only substantively enacted after the balance sheet date, will have consequential effect on the Company's future tax charge.

10. Tangible assets

Tangible assets comprise owned and leased assets that do not meet the definition of investment property.

| | 2021 €'000 | 2020 €'000 |
|-----------------------|---------------|---------------|
| Tangible assets owned | 284 | 490 |
| Right-of-use assets | 612 | 1,109 |
| Total tangible assets | 896 | 1,599 |

Tangible assets owned:

| | <i>Leasehold and Freehold or improvements €'000</i> | <i>Fixtures fittings, tools and equipment €'000</i> | <i>Total €'000</i> |
|-----------------------------|---|---|------------------------|
| Cost: | | | |
| Balance as at 1 April 2020 | 563 | 25,164 | 25,727 |
| Additions | - | - | - |
| Disposals | - | (663) | (663) |
| Balance as at 31 March 2021 | 563 | 24,501 | 25,064 |
| Depreciation: | | | |
| Balance as at 1 April 2020 | 211 | 25,026 | 25,237 |
| Charge for year | 128 | 70 | 198 |
| Disposals | - | (655) | (655) |
| Balance as at 31 March 2021 | 339 | 24,441 | 24,780 |
| Net book value: | | | |
| At 31 March 2021 | 224 | 60 | 284 |
| At 31 March 2020 | 352 | 138 | 490 |

Right-of-use assets:

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

| | <i>Property €'000</i> | <i>Office equipment €'000</i> | <i>Total €'000</i> |
|----------------------------------|---------------------------|---------------------------------------|------------------------|
| Cost: | | | |
| Balance as at 1 April 2020 | 1,074 | 35 | 1,109 |
| Additions | - | - | - |
| Depreciation charge for the year | (479) | (18) | (497) |
| Balance as at 31 March 2021 | 595 | 17 | 612 |

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

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

11. Investments

| | <i>Shares in Group Undertakings €'000</i> | <i>Total €'000</i> |
|-----------------------------|---|------------------------|
| Cost | | |
| Balance as at 1 April 2020 | 165,585 | 165,585 |
| Additions | - | - |
| | <hr/> | <hr/> |
| Balance as at 31 March 2021 | 165,585 | 165,585 |
| | <hr/> | <hr/> |
| Provisions | | |
| Balance as at 1 April 2020 | 136,880 | 136,880 |
| Reversal of impairment | (3,527) | (3,527) |
| Provided in the year | 8,879 | 8,879 |
| | <hr/> | <hr/> |
| Balance as at 31 March 2021 | 142,232 | 142,232 |
| | <hr/> | <hr/> |
| Net book value | | |
| At 31 March 2021 | 23,353 | 23,353 |
| | <hr/> | <hr/> |
| At 31 March 2020 | 28,704 | 28,704 |
| | <hr/> | <hr/> |

Impairment review of investments

During the year the Directors conducted an impairment review of investments. The impairment review has been recognised in Impairment of Assets within the Profit and Loss account. Each subsidiary has been considered the cash generating unit. The recoverable amount of investments is the higher of fair value of assets less cost to sell and the value in use. The value in use has been calculated by the present value of future cash flows including any proceeds from future disposal. The key assumptions in the calculation are:

| | <i>2021</i> | <i>2020</i> |
|--|-------------|-------------|
| Period over which management has projected cash-flows | 5 yrs | 5 yrs |
| Growth rate used to extrapolate cash flows for all regions | 2.50% | 3.00% |
| Discount rate for all regions except Africa | 10.25% | 8.67% |
| Discount rate for Africa | 11.82% | 12.10% |

The discount rate used has been based on the discount rate derived from market information for NEC Corporation, and adjusted to allow for differences in risks for the investments in the region.

12. Stock

| | <i>2021 €'000</i> | <i>2020 €'000</i> |
|-------------------------------------|-----------------------|-----------------------|
| Finished goods and goods for resale | 1,121 | 762 |
| | <hr/> | <hr/> |

Finished goods and goods for resale recognised as cost of sales in the year amounted to €9,969,008 (2020: € 12,359,876). There are no write down of net realisable value recognised as cost of sales in the year (2020: Nil)

13. Debtors

| | 2021 €'000 | 2020 €'000 |
|---|---------------|---------------|
| <i>Due within one year:</i> | | |
| Trade debtors | 960 | 160 |
| Amounts due from subsidiary undertakings | 47,242 | 66,084 |
| Amounts due from fellow subsidiary undertakings | 9,469 | 10,482 |
| Amounts due from parent undertaking | 594 | 989 |
| Other debtors | 2,476 | 1,454 |
| Corporation tax receivable | 500 | 770 |
| Prepayments and accrued income | 461 | 967 |
| <i>Due after more than one year:</i> | | |
| Other debtors | - | - |
| | <u>61,702</u> | <u>80,906</u> |

Amounts due from subsidiary undertakings has been impaired by €10,791,000 (2020: €12,071,000) to reflect amounts within the balances provided to certain subsidiaries which are in net liability positions where the amount is now considered to be not recoverable. The recoverable amounts of such loans has been assessed in line with the results of the value in use projections for investments in Note 11.

14. Cash and cash equivalents

| | 2021 €'000 | 2020 €'000 |
|--------------|---------------|---------------|
| Cash at bank | 92 | 978 |
| | <u>92</u> | <u>978</u> |

15. Creditors:

Amounts falling due within one year

| | 2021 €'000 | 2020 €'000 |
|---|----------------|----------------|
| Trade creditors | 12,999 | 11,763 |
| Amounts due to subsidiary undertakings | 2,490 | 836 |
| Amounts due to fellow subsidiary undertakings | 169,884 | 181,112 |
| Amount due to parent undertaking | 5,784 | 6,174 |
| Other creditors | 226 | 152 |
| Taxation and social security | 324 | 347 |
| Lease liabilities | 1,041 | 1,041 |
| Accruals and deferred income | 4,254 | 6,357 |
| | <u>197,002</u> | <u>207,782</u> |

Included within amounts due to fellow subsidiary undertakings of €169,884,000 (2020: €181,112,451) is a €139.6m (2020: €159.7m) loan facility, which is a cash loan from fellow subsidiary undertakings as part of the cash pooling arrangement. Interest is charged on this cash loan at 1.25% and the facility is reviewed on an annual basis in May. Subsequent to the year end, the facility was extended to May 2023, as set out in note 1.

16. Creditors:

Amounts falling due after more than one year

| | 2021 | 2020 |
|-------------------|--------------|---------------|
| | €'000 | €'000 |
| Withholding tax | 7,418 | 10,015 |
| Lease liabilities | 500 | 1,511 |
| | <u>7,918</u> | <u>11,526</u> |

Movement in withholding tax during the year

| | 1 April 2020 | Recognised in income | Recognised in equity | 31 March 2021 |
|------------------------------------|-----------------|-------------------------|-------------------------|------------------|
| | €'000 | €'000 | €'000 | €'000 |
| On Defined Benefit Pension Surplus | (10,015) | (73) | 2,670 | (7,418) |
| | <u>(10,015)</u> | <u>(73)</u> | <u>2,670</u> | <u>(7,418)</u> |

Movement in withholding tax during the prior year

| | 1 April 2019 | Recognised in income | Recognised in equity | 31 March 2020 |
|------------------------------------|----------------|-------------------------|-------------------------|------------------|
| | €'000 | €'000 | €'000 | €'000 |
| On Defined Benefit Pension Surplus | (7,269) | (659) | (2,087) | (10,015) |
| | <u>(7,269)</u> | <u>(659)</u> | <u>(2,087)</u> | <u>(10,015)</u> |

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

Total undiscounted lease liabilities at 31 March 2021 amounts to EUR 498,280 (2020: EUR 2,172,000).

17. Provisions for liabilities and charges

| | Property dilapidations | Contract Performance | Vacant property | Restructure | Total |
|------------------------------------|---------------------------|-------------------------|--------------------|-------------|----------|
| Balance at 1 April 2020 | (1,142) | - | (862) | (1,396) | (3,400) |
| Provisions used during the year | - | - | 322 | 728 | 1,050 |
| Additions | (41) | - | - | - | (41) |
| Unwinding of discount amount | - | - | - | - | - |
| Balance at 31 March 2021 | (1,183) | - | (540) | (668) | (2,391) |
| Balance at 1 April 2019 | (1,102) | (201) | (3,140) | (5,604) | (10,047) |
| IFRS 16 Transition | - | - | 1,964 | - | 1,964 |
| Provisions used during the year | - | - | 314 | 3,883 | 4,197 |
| (increase) / decrease | - | 201 | - | 325 | 526 |
| Unwinding of discount amount | (40) | - | - | - | (40) |
| Balance at 31 March 2020 | (1,142) | - | (862) | (1,396) | (3,400) |

Property Dilapidations

The Company has leasehold properties and is committed to pay for dilapidation costs at the end of the lease period. In determining the provision, advice was given in March 2012 by an independent Chartered Surveyor on the expected cash flows and these have been discounted on a pre-tax basis at a rate of 5.08% per annum.

Contract Performance Provisions

The provision relates to the risks involved in the performance of certain contracts. The present obligation for the commitments under the contracts have been recognised and provided based on directors' best estimate. The basis of calculation represents the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Vacant Property Provisions

The Company has surplus space within one of its properties that has been vacated, segregated and made available for potential sub-lease to third parties if the lease allows. Provision has been made for the residual lease commitments, together with other outgoings, after taking into account existing sub-tenant arrangements. Provision is credited to the profit and loss account to match lease outgoings incurred during the year. In determining the provision the cash flows have been discounted on a pre-tax basis at a rate of 5.08%.

Restructure Provisions

The restructure provision relates to the restructuring of the Company's activities to moving towards a more efficient way of working, reorganisation of the premises and assets and reduction of overhead. The total estimated amount is approximately EUR 5.6 million. The included expected redundancy payments consider salary levels and years of service.

18. Defined benefit pension scheme

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

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

For the statutory accounts ending 31st March 2021 the principal employer received a report from Isio Group, a qualified independent actuary, on the valuation of the scheme under FRS 101.

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

| | 2021 €'000 | 2020 €'000 |
|---|---------------|---------------|
| Total Defined Benefit Liability | (74,940) | (61,722) |
| Total Defined Benefit Asset | 96,135 | 90,336 |
| Net surplus for defined benefit obligations | 21,195 | 28,614 |

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

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Total Defined Benefit Liability | (215,013) | (185,283) |
| Total Defined Benefit Asset | 246,620 | 242,885 |
| Net Asset for defined benefit obligations | 31,607 | 57,602 |

| | Multi-Employer Scheme | | Company Portion | |
|--|-----------------------|---------|-----------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| | £'000 | £'000 | €'000 | €'000 |
| Change in defined benefit obligation | | | | |
| As at 1 April | 185,283 | 184,126 | 61,722 | 64,882 |
| Prior year adjustment | - | - | - | - |
| Interest cost | 3,952 | 4,537 | 1,415 | 1,543 |
| Past service cost | 197 | 9,115 | 82 | 2,293 |
| Re measurements: | | | | |
| Actuarial (gains)/losses from changes in financial assumptions | 31,047 | (4,674) | 10,677 | (1,898) |
| Actuarial (gains)/losses from changes in demographic assumptions | (145) | (2,558) | - | (1,038) |
| Actuarial (gains)/losses from experience | (265) | - | - | - |
| Benefits paid | (5,056) | (5,263) | (1,811) | (1,789) |
| Settlement Payments from plan asset | - | - | - | - |
| Reduction in Accounting liability from Retirement Transfer Offer (RTO) | - | - | - | - |
| Exchange adjustment | - | - | 2,855 | (2,271) |
| As at 31 March | 215,013 | 185,283 | 74,940 | 61,722 |
| Change in fair value of plan assets | | | | |
| As at 1 April | 242,885 | 226,609 | 90,336 | 85,650 |
| Administrative expenses | (635) | (692) | (228) | (235) |
| Interest income | 4,999 | 5,712 | 1,945 | 2,089 |
| Return on plan assets excluding interest income | 4,427 | 6,852 | 1,717 | 3,755 |
| Employer contributions | - | 9,667 | - | 3,864 |
| Settlement payment from plan assets | - | - | - | - |
| Benefits paid | (5,056) | (5,263) | (1,811) | (1,789) |
| Exchange adjustment | - | - | 4,176 | (2,998) |
| Balance at 31 March | 246,620 | 242,885 | 96,135 | 90,336 |
| Costs relating to defined benefit Plans | | | | |
| Gain on curtailments/changes/introductions | 197 | 9,115 | 82 | 2,293 |
| Interest on DBO | 3,952 | 4,537 | 1,415 | 1,543 |
| Interest income on plan assets | (4,999) | (5,712) | (1,945) | (2,089) |
| Reduction in Accounting liability from Retirement Transfer Offer (RTO) | - | - | - | - |
| Administrative expenses and/or taxes (not reserved within DBO) | 635 | 692 | 228 | 235 |
| Included in Profit and Loss account | (215) | 8,632 | (220) | 1,982 |

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

| | Multi-Employer Scheme | | Company Portion | |
|--|-----------------------|--------|-----------------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| | £'000 | £'000 | €'000 | €'000 |
| Remeasurements | | | | |
| Effect of changes in financial assumptions | (31,047) | 4,674 | (10,769) | 1,898 |
| Effect of changes in demographic assumptions | 145 | 2,558 | - | 1,038 |
| Effect of experience adjustments | 265 | - | 93 | - |
| (Less)/Return on plan assets excluding interest income | 4,427 | 6,852 | 1,717 | 3,757 |
| Included in Other comprehensive income | (26,210) | 14,084 | (8,959) | 6,693 |

Fair value of Plan Assets

Assets with a quoted price in an active market

| | | | | |
|---------------------------|---------|---------|--------|--------|
| Cash and cash Equivalents | - | - | - | - |
| Equity instruments | 26,331 | 18,386 | 10,264 | 6,838 |
| Debt instruments | 124,033 | 128,473 | 48,349 | 47,783 |
| Real Estate | - | - | - | - |
| Other | 12,345 | 9,991 | 4,812 | 3,716 |
| Total | 162,709 | 156,850 | 63,425 | 58,337 |

Assets without a quoted price in an active market

| | | | | |
|---------------------------|--------|--------|--------|--------|
| Cash and cash Equivalents | 3,545 | 7,946 | 1,382 | 2,955 |
| Equity instruments | 11,890 | - | 4,635 | - |
| Debt instruments | 67,255 | 54,436 | 26,217 | 20,246 |
| Real Estate | - | 11,670 | - | 4,340 |
| Other | 1,221 | 11,982 | 476 | 4,457 |
| Total | 83,911 | 86,034 | 32,710 | 31,998 |

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

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

| | 2021 | 2020 |
|--|------|------|
| | % | % |
| Rate of increase in pensionable salaries | n/a | n/a |
| Discount rate | 2.00 | 2.30 |
| Inflation assumption RPI | 3.15 | 2.50 |
| Inflation assumption CPI | 2.45 | 1.80 |
| Rate of pension increase | 3.10 | 2.50 |

The assumptions have been calculated with reference to the duration of the scheme's liabilities of approximately 23 years.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard S2PA light YOB tables weighted by 103%/101% for male/female pensioners and 108%/100% for male/female non-pensioners, and CMI 2020 core projections with long term rate of 1.5% per annum. The life expectancy for males currently aged 65 is 22.7 years and for females currently aged 65 is 24.0 years. No adjustments were made to mortality assumptions in relation to Covid-19 at year end as it is too soon to make a judgement on the impact of the Covid-19 pandemic on future mortality improvements.

Sensitivity analysis

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

| | 2021 £'000 | 2020 £'000 |
|---------------|---------------|---------------|
| Discount rate | (10,869) | (10,059) |
| Inflation | 7,193 | 6,636 |
| RPI | 2,524 | 5,736 |
| CPI | 4,610 | n/a |

In valuing the liabilities of the pension fund at 31st March 2021 mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31st March 2021 would have increased with an amount of £6,141,000 (2020: £5,397,000) before deferred tax.

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

Funding

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

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

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

On the 8th August 2017 NEC Europe Ltd and its UK subsidiaries transferred £18,839,395 into an Escrow account. This is to fund the future defined benefit pension obligations until the year ended 31st March 2020. The future contributions of the Company to its defined benefit plan paid into the Escrow account was £8,308,520. The remaining balance at 31st March 2020 was £0.

19. Other financial commitments

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

20. Guarantees

The Company has provided guarantees totalling €28,998,356 (2020: €21,266,289) relating to contracts and other arrangements entered into by certain subsidiaries.

21. Issued share capital

| | 2021 | 2020 |
|--|---------|---------|
| <i>Allotted, called up and fully paid</i> | €'000 | €'000 |
| Ordinary shares of £1 each (No. of shares 187,871) | 187,871 | 187,871 |

22. Fixed Asset Investment

The Company has the following investments in subsidiaries and associates:

| Name | Country of incorporation principal country of operation. | Registered Office |
|---|--|--|
| NEC (UK) Ltd. | United Kingdom (registered in England and Wales) | Athene, Odyssey Business Park, West End Road, South Ruislip, HA4 6QE |
| NEC Deutschland GmbH | Germany | Fritz-Vomfelde-Strasse, 14-16, 40547, Dusseldorf |
| NEC France S.A.S. | France | 29, Rue Des Hautes, Patures, 92737, Nanterre, CEDEX, Paris |
| NEC Italia S.p.A | Italy | Viale Enrico, Forlanini, 23 20134 Milano |
| NEC Scandinavia AB | Sweden | Box 1295, 164 29, Kista, Sweden |
| NEC Iberica S.L. | Spain | Calle de Anabel Segura 7, 2 Plta - Arroyo de la Vega 28108 Alcobendas, Madrid |
| NECPortugal Telecomunicações e Sistemas, S.A. | Portugal | Edificio Espace, No59, Pisa 0, Bloco 2, Letra B, Parque das Nacoes, 1990-207 Lisboa |
| NEC Display Solutions UK Ltd ** | United Kingdom (registered in England and Wales) | Athene, Odyssey Business Park, West End Road, South Ruislip, HA4 6QE |
| NEC Finland OY ** | Finland | Ahventie 4, FIN-02170 ESPOO |
| NEC Eastern Europe KFT. | Hungary | H-1142 Budapest Ungvár u. 64-66. |
| NEC Nederland B.V. | Netherlands | Olympia 4, 1213 NT HILVERSUM, Netherlands |
| NEC Laboratories Europe GmbH | Germany | Kurfürsten-Anlage 36, 69115 Heidelberg, Germany |
| NEC West Africa Limited | Nigeria (10% Holding, 90% subsidiary Holding) | 3rd Floor, MAKU PLAZA, No.109, Awolowo Road, South-West Ikoyi, Lagos CBC Towers, 7th Floor Atlantic View, Plot 11, Olubunmi Owa Street, Lekki Phase 1 Lagos, Nigeria |

NEC Europe Ltd

Registered No. 02832014

| | | |
|--|---------------------------------------|---|
| NEC Telecommunication and Technology Limited | Turkey (98.64% Holding) | Dikilitas Emirhan Cad. No.113 Barbaros Plaza Is Merkezi C Blok Kat:10 Besiktas 34349 Istanbul |
| CJSC NEC Neva Communications Systems | Russia (90% Holding) | 195279, Saint Petersburg, Russia, Shosse Revolyutsii, bld.102/2 |
| XON Holdings (Pty) Ltd | South Africa (59.99% Holding) | XON 218 Roan Crescent, Corporate Park North, Midland Johannesburg 1 Mints Street, Old Mint Park Louwlandia, 0157 |
| XON Systems (Pty) Ltd ** | South Africa (70% subsidiary Holding) | 1 Mints Street, Old Mint Park, Louwlandia, 1683, Gauteng, South Africa |
| NEC XON Consulting (Pty) Ltd** | South Africa | 1 Mints Street, Old Mint Park, Louwlandia, 1683, Gauteng, South Africa |
| NEC XON Infrastructure (Pty) Ltd** | South Africa | 1 Mints Street, Old Mint Park, Louwlandia, 1683, Gauteng, South Africa |
| NEC XON Coastal (Pty) Ltd** | South Africa | 1 Mints Street, Old Mint Park, Louwlandia, 1683, Gauteng, South Africa Oxford University Press Building, Cnr Vasco Boulevard & Joe Hattingh Street, N1 City, Goodwood |
| NEC XON KwaZulu Natal (Pty) Ltd** | South Africa | 1 Mints Street, Old Mint Park, Louwlandia, 1683, Gauteng, South Africa No2 The ViewZ, 11 Boulevard, Westway Office Park, 3635 |
| NEC XON Converged Communications (Pty) Ltd** | South Africa | 1 Mints Street, Old Mint Park, Louwlandia, 1683, Gauteng, South Africa |
| NEC XON Systems Namibia (Pty) Ltd** | Namibia | 24 Orban Street, Windhoek, Namibia Showroom 8a, South port Building, Mandume Ndumefayo Avenue, Windhoek Namibia |
| NEC XON Business Solutions (Pty) Ltd** | South Africa (80% Holding) | 1 Mints Street, Old Mint Park, Louwlandia, 1683, Gauteng, South Africa |
| NEC XON Alternative Energy (Pty) Ltd** | South Africa (62% Holding) | 1 Mints Street, Old Mint Park, Louwlandia, 1683, Gauteng, South Africa |
| NEC XON Retail Solutions (Pty) Ltd** | South Africa (51% Holding) | 1 Mints Street, Old Mint Park, Louwlandia, 1683, Gauteng, South Africa |
| NEC Africa (Pty) Ltd** | South Africa | 1 Mints Street, Old Mint Park, Louwlandia, 1683, Gauteng, South Africa |

Subsidiary undertakings are directly held by NEC Europe Ltd. Which owns 100% of the issued ordinary share capital except where indicated.

The principal business of each subsidiary is the sale and distribution of Computer and Communication products and other electronic devices.

**Held by a subsidiary undertaking.

The Company has taken advantage of the exemption available under FRS 101 not to disclose transactions or balances with other members who are owned 100% within the group headed by NEC Corporation.

Transactions with NEC Africa (Pty) Ltd and XON holdings consist of sales of hardware and recharge of expenses. They were as follows:

| | <i>Receivables outstanding</i> | | <i>Creditors outstanding</i> | |
|----------------------|--------------------------------|--------------|------------------------------|--------------|
| | <i>2021</i> | <i>2020</i> | <i>2021</i> | <i>2020</i> |
| | <i>€'000</i> | <i>€'000</i> | <i>€'000</i> | <i>€'000</i> |
| NEC Africa (Pty) Ltd | - | - | - | - |
| XON holdings | 105 | 151.1 | - | - |
| | <u>105</u> | <u>151.1</u> | <u>-</u> | <u>-</u> |

The ultimate parent undertaking and controlling party is NEC Corporation, which is incorporated in Japan. The smallest and largest group in which the results of the Company are consolidated is that of NEC Corporation. The accounts of the ultimate holding Company, which heads the largest Group in which the results of the Company are consolidated are available to the public at NEC Corporation, 7-1, Shiba 5-chome, Minato-ku, Tokyo, Japan.