Registered No. 3985545

# NEC Display Solutions UK Limited

## Annual Report and Financial Statements

## For the year ended 31 March 2023

Registered No. 3985545

**Director**
Mr. C Mills

**Auditor**
KPMG LLP
15 Canada Square
London
E14 5GL

**Registered Office**
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Odyssey Business Park
West End Road
South Ruislip
Middlesex
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Registered No. 3985545

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# Director's Report

The director presents the annual report and financial statements for NEC Display Solutions UK Limited ('the Company') for the year ended 31 March 2023.

The Company is a small company by definition of the Companies Act 2006 and therefore has taken the small companies' exemption from the requirement to present a strategic report.

## Results

The profit and loss account show a profit before tax for the year of £91,433 (2022: profit £99,624) and a profit for the year after taxation of £75,084 (2022: £90,187).

## Principal activity and review of business

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

During the financial year 2022/2023 the principal activities of NEC Display Solutions UK Limited is for the purpose of holding the pension assets and liabilities.

NEC Display Solutions UK Limited does not trade and is not expected to trade in the near future.

The principal activities of the company up to and including 31 October 2021 used to be to act as sales agent, in the distribution of electronic display devices, for NEC Display Solutions Europe GmbH but following the agreed joint venture between Sharp Corporation and NEC Display Solutions Europe GmbH as from 1 November 2021, the employees of NEC Display Solutions UK Limited transferred across to the UK subsidiary of SHARP and as from this date the Company is there only for the purpose of holding the pension assets and liabilities.

## Dividends

The director does not recommend the payment of a dividend (2022: £nil).

## Financial risks and uncertainties

As part of the review, the Director has 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.

Foreign exchange risk

The Company has no trading operations and is not exposed to foreign exchange risk other than indirectly arsing from holding the pension assets.

Interest rate risk

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

Liquidity risk

The Company is funded through its retained profits. The Company participates in a cash pooling arrangement with fellow Group subsidiaries. The director considers that the available sources of funds are adequate for the Company's operations.

Pension risk

NEC Display Solutions UK Limited, in conjunction with other fellow subsidiary undertakings of NEC Corporation, operates a defined benefit staff pension scheme, which requires contributions to be made to a separately administered fund. The contribution amounts are agreed between the pension trustees and the principal employer and is based on the company's liabilities at the valuation date. The pension trustees manage the fund. The fund and the company use external actuarial advisors to safeguard all aspects and developments impacting the fund are monitored and dealt with to ensuring the fund's capability of meeting its liabilities in any point in time.

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.

## Going Concern

The director has prepared the Company's financial statements on a non-going concern basis as detailed in Note 1.

## Future events

There are no future events expected having a significant impact on the company.

## Political and Charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year (2022: nil).

## Director

The director who served during the year is listed below:

Mr C Mills

## Disclosure of information to the auditor

The Director who held office at the date of approval of this Director's Report confirm that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and the 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 reappointed and KPMG LLP will therefore continue in office.

Board of director:

C Mills
Director

Date: 17 October 2023

# Statement of Director's responsibilities in respect of the Director's report & the Financial Statements

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law he has 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 director must not approve the financial statements unless he is 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 director is 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 (as explained in note 1, the director do not believe that it is appropriate to prepare these financial statements on a going concern basis).

The director is 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. the director is 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 Display Solutions UK Limited

## Opinion

We have audited the financial statements of NEC Display Solutions UK Limited ("the company") for the year ended 31 March 2023 which comprise the Profit and Loss Account, the Statement of Other Comprehensive Income, the Balance Sheet, the 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 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Emphasis of matter – non-going concern basis for preparation

We draw the attention to the disclosure made in note 1 of the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

### Fraud and breaches of laws and regulations – ability to detect

*Identifying and responding to risks of material misstatement due to fraud*

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

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

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 and the risk of bias in accounting estimates such as pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because no revenue activities occurred during the year

We did not identify any additional fraud risks.

We performed procedures including:

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

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

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

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

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

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

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

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

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

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

**Director's report**

The director is responsible for the director's report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the director's 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 director's report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit or
- the director is not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

**Director's responsibilities**

As explained more fully in their statement set out on page 7, the director is 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

**Ashley Rees (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

Date: 17 October 2023

Registered No. 3985545

# Profit and Loss Account

**for the year ended 31 March 2023**

| | Notes | *2023* £ | *2022* £ |
|---|---|---|---|
| **Turnover** | 2 | - | **53,423** |
| Administrative expenses | | **(28,851)** | **(109,614)** |
| Other operating income | 3 | - | **127,706** |
| Net foreign exchange loss | | - | **(2,097)** |
| ***Operating (loss)/profit*** | | **(28,851)** | **69,418** |
| Other interest receivable and similar income | 4 | **120,284** | **30,206** |
| ***Profit before taxation*** | 5 | **91,433** | **99,624** |
| Tax on profit | 8 | **(16,349)** | **(9,437)** |
| ***Profit for the financial year*** | | **75,084** | **90,187** |

# Statement of Other Comprehensive Income

**for the year ended 31 March 2023**

| | Notes | *2023* £ | *2022* £ |
|---|---|---|---|
| **Profit for the year** | | **75,084** | **90,187** |
| ***Other comprehensive income*** | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| Actuarial (loss)/gain recognised in the pension scheme | 11 | **(1,322,773)** | **219,082** |
| Deferred tax on Defined Benefit Pension Surplus | | **463,000** | **(76,679)** |
| ***Total comprehensive income for the year*** | | **(784,689)** | **232,590** |

The notes on pages 13 to 27 form part of these financial statements

Registered No. 3985545

# Balance sheet

**at 31 March 2023**

| | Notes | *2023* £ | *2022* £ |
|---|---|---|---|
| Defined Benefit Asset Surplus | 11 | **1,595,998** | **2,872,014** |
| ***Current assets*** | | | |
| Debtors | 9 | **2,261,494** | **2,216,772** |
| ***Creditors:*** *(amounts falling due within one year)* | | - | - |
| ***Net current assets*** | | **2,261,494** | **2,216,772** |
| ***Total assets less current liabilities*** | | **3,857,492** | **5,088,786** |
| ***Creditors:*** *(amounts falling due after more than one year)* | 10 | **(558,600)** | **(1,005,205)** |
| ***Net assets including Pension surplus*** | | **3,298,892** | **4,083,581** |
| ***Capital and reserves*** | | | |
| Called up share capital | 13 | **2,627,000** | **2,627,000** |
| Profit and loss account | | **671,892** | **1,456,581** |
| ***Shareholders' funds*** | | **3,298,892** | **4,083,581** |

The notes on pages 13 to 27 form part of these financial statements

The financial statements were approved by the Director on 17 October 2023 and were signed by:

Director
Mr C. Mills

# Statement of Changes in Equity

**at 31 March 2023**

| | *Called up Share capital* | *Profit & Loss account* | *Total equity* |
|---|---|---|---|
| | £ | £ | £ |
| Balance at 1 April 2022 | 2,627,000 | 1,456,581 | 4,083,581 |
| Total comprehensive income for the year: | | | |
| Profit for the year | - | 75,084 | 75,084 |
| Other comprehensive income | - | (859,773) | (859,773) |
| Total comprehensive income for the year | - | (784,689) | (784,689) |
| Balance at 31 March 2023 | 2,627,000 | 671,892 | 3,298,892 |

| | *Called up Share capital* | *Profit & Loss Account* | *Total equity* |
|---|---|---|---|
| | £ | £ | £ |
| Balance at 1 April 2021 | 2,627,000 | 1,223,991 | 3,850,991 |
| Total comprehensive income for the year: | | | |
| Loss for the year | - | 90,187 | 90,187 |
| Other comprehensive income | - | 142,403 | 142,403 |
| Total comprehensive income for the year | - | 232,590 | 232,590 |
| Balance at 31 March 2022 | 2,627,000 | 1,456,581 | 4,083,581 |

The notes on pages 13 to 27 form part of these financial statements

# Notes to the financial statements

**at 31 March 2023**

## 1. Accounting policies

***General***

NEC Display Solutions UK Limited (the "Company") is a private company incorporated, domiciled, and registered in the UK. The registered number is 3985545 and the registered address is Odyssey Business Park, West end Road, South Ruislip, Middlesex, HA4 6QE.

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

The principal activity of the Company is holding pension assets and liabilities.

***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 accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRS"), 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;
- 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 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 director, 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 11.

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

### *Measurement convention*

The financial statements are prepared on the historical cost basis.

### *Going concern*

The director has prepared the Company's financial statements on a non-going concern basis for the following reasons.

The Company does not trade and is not expected to trade in the nearer future. There is no intention to wind up the company as the company will continue to hold its defined benefit pension assets and liabilities.

At 31 March 2023, the Company recorded a net defined benefit pension asset of £1,629,859. From 1 November 2021 the Company's operating expenses only relate to managing the defined benefit scheme of which the Company is a member. In so far as other generated income is not sufficient to cover these expenses, or to fund additional pension contributions if required, NEC (UK) Limited (immediate parent company) has indicated its intention to continue to make available such funds as are needed by the Company.

In addition, written confirmation has been provided by NEC Corporation to the directors of NEC (UK) Limited's immediate parent, NEC Europe Limited, that if required, NEC Corporation intends to provide additional financial support sufficient to enable NEC Europe Limited and its subsidiaries to meet the liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements.

As with any Company placing reliance on other group entities for financial support, the director acknowledges that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The director of the Company therefore has sufficient assurance that the company has adequate resources to continue to fund the defined benefit pension scheme as required. However, the Company is not a going concern given that it does not trade and no trade is expected in the near future.

### *Turnover*

To determine whether to recognise revenue, the Company followed 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.

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

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

Turnover is stated net of value added tax and consisted of sales commissions entirely from NEC Display Solutions Europe GMBH for order handling services. Revenue was recognized upon the client's acceptance of commission.

*Foreign currency*

Transactions in foreign currencies are translated to the Company's functional currency (GBP) at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

*Financial instruments*

**(i) *Recognition and initial measurement***

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.

**(ii) Classification and subsequent measurement**

***Financial assets***

*(a) Classification*

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

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets.

*(b) Regular Way Sales / Purchases*

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

*(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 de-recognition is recognised in profit or loss.

***Financial liabilities and equity***

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

**(iii) Impairment**

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and debt investments measured at FVOCI.

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 Moody's.

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.

***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.

***Pension costs- defined benefit plans***

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

In accordance with FRS 101, the Company recognises its share of the UK pension fund assets and liabilities. The assets are calculated based on the Company's share of total contributions paid into the Scheme and investment returns earned on these contributions. The liabilities are calculated based on the pension accrued by each member while employed by the Company.

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 Other Comprehensive Income 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.

Management assessed the requirements under IFRIC14 and confirm the company must recognize any surplus of the defined benefit pension scheme due to the principal employer having an unconditional right to a refund of surplus of the purposes of and in accordance with the framework established under paragraph 11(B) of IFRIC14, based on the circumstances under which the Group Scheme would commence wind-up and the return of funds which would be payable to the company following the priority order set out in the Trust Deed and Rules.

***Pension costs- defined contribution plans***

The pension costs charged to the profit and loss account represents the contribution payable to the Group Scheme in respect of the accounting period.

***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

Turnover consisted of commissions received from NEC Display Solutions Europe GmbH for the provision of services.

| | *2023* | *2022* |
|---|---|---|
| | *£* | *£* |
| Commission | - | 53,423 |

## 3. Other operating income

Operating income consists of recharged expenses incurred which are recharged to NEC Display Solutions GmbH.

| | *2023* | *2022* |
|---|---|---|
| | *£* | *£* |
| Recharged expenses | - | 127,706 |

## 4. Other interest receivable and similar income

| | *2023* | *2022* |
|---|---|---|
| | *£* | *£* |
| Group interest receivable | 44,747 | - |
| Net interest on defined benefit plan assets | 75,537 | 30,206 |
| | 120,284 | 30,206 |

## 5. Profit and loss account

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

| | *2023* | *2022* |
|---|---|---|
| | *£* | *£* |
| Foreign exchange loss | - | 2,097 |

The allocated audit fees for the audit of these financial statements are GBP 20,500 (2022: GBP 18,000) and are taken up by NEC UK Ltd. Fees paid to the Company's auditor, KPMG LLP and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements. This is on the basis that such fees are disclosed in the financial statements of the Company's indirect parent, NEC Europe Ltd.

## 6. Director's emoluments

No (2022: No) director received remuneration for services to the Company. No director (2022: No) was a member of the defined contribution pension scheme.

## 7. Staff costs

| | *2023* | *2022* |
|---|---|---|
| | *£* | *£* |
| Wages and salaries | - | 105,117 |
| Social security costs | - | 11,100 |
| Other pension costs | - | 10,394 |
| | - | 126,611 |

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

| | *2023* | *2022* |
|---|---|---|
| | *No.* | *No.* |
| Sales and administrative staff | - | 2 |
| Management staff | - | 1 |
| | - | 3 |

The charge relating to the defined contribution pension scheme for the period represents contributions payable by the Company to the scheme and amounted to £0 (2022: £10,394).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

## 8. Tax

**Recognised in the profit and loss account**

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| The tax charge/(credit) is made up as follows: | | |
| *Current tax:* | | |
| UK corporation tax at 19% (2022 – 19%) | - | - |
| Adjustment in respect of previous years | - | - |
| Total current tax charge | - | - |
| *Deferred tax:* | | |
| Originating and reversal of timing differences | - | - |
| Deferred tax on Defined Benefit Pension Scheme | 16,349 | 9,437 |
| Total deferred tax | 16,349 | 9,437 |
| Tax on profit on ordinary activities | 16,349 | 9,437 |

**Reconciliation of tax expense**

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Profit for the year | 75,084 | 90,187 |
| Total Tax expense | 16,349 | 9,437 |
| Profit on ordinary activities before taxation | 91,433 | 99,624 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 19% (2022: 19%) | 17,372 | 18,929 |
| Deferred tax on Defined Benefit Pension Scheme | 16,349 | 9,437 |
| Adjusted relief on pension contributions paid | - | - |
| Recognition of movement in deferred balances | - | - |
| Tax losses not recognised as a deferred tax asset | (6,951) | (17,891) |
| Adjustment in respect of originating and reversal of timing differences | (10,421) | (1,038) |
| Total tax expense | 16,349 | 9,437 |

The Company has not recognised deferred tax assets of £233,650 (2022: £178,150) at 25% in respect of tax losses carried forward of £934,600 (2022: £971,184). These numbers are based on the finalized and submitted corporate tax return for the financial year ended 31 March 2022 and the tax computation as per 31 March 2023.

The director considers sufficient analysis has been undertaken in respect of periods up to 31 March 2022 to recognise submitted and anticipated group relief claims within the NEC Europe Limited group, but no such claims have yet been assessed or recognised in respect of the year ended 31 March 2023. 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 from 1 April 2023 the corporate income tax rate will remain at 19% for UK companies with profits of up to £50,000, with companies with profits between £50,000 and £250,000 paying at a tapered rate. The upper UK corporation tax rate will rise to 25% from 1 April 2023 for UK companies with profits in excess of £250,000.

## 9. Debtors

| | *2023* | *2022* |
|---|---|---|
| | *£* | *£* |
| *Due within one year:* | | |
| Amounts owed by group undertakings | 2,261,494 | 2,216,772 |
| Other taxation and social security | - | - |
| | 2,261,494 | 2,216,772 |

Amounts owed by group undertakings represent cash passed to the immediate parent undertaking and placed on short term deposit with NEC Capital (UK) Plc.

## 10. Creditors: amounts falling due after more than one year

Movement in withholding tax during the year:

| | *1 April 2022* | *Recognised in equity* | *Recognised in income* | *31March 2023* |
|---|---|---|---|---|
| | *£* | *£* | *£* | *£* |
| Defined Benefit Pension Surplus | 1,005,205 | (451,103) | 16,349 | 570,451 |

Movement in withholding tax during the prior year

| | *1 April 2021* | *Recognised in equity* | *Recognised in income* | *31March 2022* |
|---|---|---|---|---|
| | *£* | *£* | *£* | *£* |
| Defined Benefit Pension Surplus | 919,089 | 76,679 | 9,437 | 1,005,205 |

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

## 11. Defined benefit pension scheme

The Group Scheme carries the name NEC Staff Pension Scheme (UK). The Group Scheme is subject to a statutory funding objective, as set out in UK pension legislation. The Group Scheme trustees need to obtain regular actuarial valuation to assess the scheme against this funding objective. The trustees and sponsoring companies need to agree funding plans to improve the position of a scheme when it is below the acceptable funding level.

The UK Pensions Regulator has extensive powers to protect the benefits of members, promote good administration and reduce the risk of situations arising which may require compensation to be paid from the Pension Protection Fund. These include imposing a schedule of contributions or the calculation of the technical provisions, where a trustee and the companies fail to agree appropriate calculations.

The Group Scheme is governed by the Trustees. The Trustees of the Scheme comprises three Company Nominated Trustees and three Member Nominated Trustees. The Trustees are responsible for the management, administration, funding and investment strategy of the Scheme.

The Group Scheme is exposed to risks that:

- investment returns that are below expectations, leaving the Scheme with insufficient assets in future to pay all its pension obligations;
- members and dependents live longer than expected, increasing the value of the pensions the Scheme have to pay;
- inflation rates are higher than expected, causing amounts payable under index-linked pensions to be higher than expected; and
- increased contributions are required to meet funding targets if lower interest rates increase the current value of liabilities.

The Group Scheme has a risk management system in place to adequately monitor these risks, amongst others by having an adequate Investment Strategy in place and engaging and working together with reputable actuarial advisor, ensuring adequate asset-liability matching.

At each reporting date, the investment manager reports on the consequences of the strategic investment policy. The current investment policy is to hold broadly 52.5% in defensive assets comprising Buy & Maintain Corporate Bonds & Liability Driven Investments (LDI) and 47.5% in growth assets comprising Global Equities, Absolute return, Multi Asset Credit and Illiquid Credit. The Scheme is subject to direct and indirect currency risk because investments are held in non-sterling currencies. No specific measures are taken to mitigate the currency risks. The Scheme has exposure to interest rate risk via Absolute Return, Multi Asset Credit and Illiquid Credit. The interest rate risk they introduce is expected to be low and taken by the investment manager as part of its investment process to add value.

The Trustees of the Group Scheme aim to hedge broadly 100% of the interest rate and inflation risks associated with the Technical Provisions basis, though with flexibility to implement tactial views around this. The LDI's, held in pooled funds, hold aim to hedge a proportion of the Group Scheme's interest rate and inflation risks.

As a result of the market turbulence and sharp rise in government bond yields, following the 'mini budget' in September 2022, many UK pension schemes encountered liquidity issues after they faced calls for collateral (i.e. cash) to be provided to support their LDI arrangements within very short timescales. LDI is an approach whereby part or all of a pension scheme's assets are invested in a way that is designed to mirror the movement sin the value placed on the scheme's liabilities. These events, combined with negative market movements considering ongoing market volatility, has caused the value of assets to fall since the Group Scheme year end, though the position on the Group Scheme's statutory funding basis remains strong. During the period of volatility, the Trustees took action to redeem some of the Group Scheme's invested assets to provide sufficient collateral to the LDI portfolio. The Trustees continue to monitor the market conditions, including the impact on the ongoing resilience of the LDI portfolio, on a regular basis and make changes to the Group Scheme's investment strategy as necessary after taking advice from Mercer Limited, the Group Scheme's investment adviser. This has no impact on the company as there were no changes in the funding arrangements, additional liquidity support or facilities provided by the company.

The Company is a member of a defined benefit pension scheme. The principal employer of the scheme is NEC Europe Limited which is an entity wholly owned by NEC Corporation. Company employees are ineligible to join this scheme as it is closed for new members. The scheme provides final salary defined benefits and is funded by the participating companies. For funding purposes, a full actuarial valuation of the defined benefit pension scheme was undertaken at 30 June 2021 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 2023 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.

| | *2023* | *2022* |
|---|---|---|
| | *£'000* | *£'000* |
| Total Defined Benefit Liability | (5,038) | (7,719) |
| Total Defined Benefit Asset | 6,634 | 10,591 |
| Net surplus for defined benefit obligations | 1,596 | 2,872 |

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

| | *2023* | *2022* |
|---|---|---|
| | *£'000* | *£ '000* |
| Total Defined Benefit Liability | (129,428) | (198,270) |
| Total Defined Benefit Asset | 154,690 | 247,390 |
| Net Asset for defined benefit obligations | 25,262 | 49,120 |

Due to large movements in bond yields during the year and high current level of inflation the fair value of plan assets and the gross defined benefit obligation have significantly decreased. The Defined Benefit Obligation has been consistently calculated factoring the expected long-term impact of changes in inflation, life expectancy and any discretionary awards.

| | Group Scheme | | Company Portion | |
|---|---|---|---|---|
| | *2023* | *2022* | *2023* | *2022* |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| **Change in defined benefit obligation** | | | | |
| As at 1 April | 198,270 | 215,014 | 7,719 | 8,282 |
| Prior year adjustment | - | - | - | - |
| Interest cost | 5,209 | 4,237 | 203 | 163 |
| Past service cost | 54 | - | 1 | - |
| Re measurements: | | | | |
| Actuarial gains from changes in financial assumptions | (64,055) | (16,092) | (2,494) | (620) |
| Actuarial gains from changes in demographic assumptions | (15,226) | (2,915) | (593) | (112) |
| Actuarial losses from experience | 8,606 | 4,390 | 336 | 257 |
| Benefits paid | (3,430) | (6,364) | (134) | (251) |
| Settlement payment from plan assets | | - | - | - |
| Exchange rate adjustment | | - | - | - |
| Reduction in Accounting liability from Retirement Transfer Offer (RTO) | | - | - | - |
| | 129,428 | 198,270 | 5,038 | 7,719 |
| As at 31 March | | | | |

| | | | | |
|---|---|---|---|---|
| **Change in fair value of plan assets** | | | | |
| As at 1 April | 247,390 | 246,620 | 10,591 | 10,908 |
| Prior year adjustment | - | - | - | - |
| Administrative expenses | (712) | (631) | (28) | (25) |
| Interest income | 6,501 | 4,863 | 278 | 215 |
| Return on plan assets excluding interest income | (95,059) | 2,902 | (4,073) | (256) |
| Employer contributions | - | - | - | - |
| Settlement payment for plan assets | - | - | - | - |
| Benefits paid | (3,430) | (6,364) | (134) | (251) |
| | 154,690 | 247,390 | 6,634 | 10,591 |
| Balance at 31 March | | | | |

| | | | | |
|---|---|---|---|---|
| **Costs relating to defined benefit Plans** | | | | |
| Loss on curtailments/changes/introductions | 54 | - | 1 | - |
| Interest on DBO | 5,209 | 4,237 | 203 | 163 |
| Interest income on plan assets | (6,501) | (4,863) | (278) | (215) |
| Administrative expenses and/or taxes (not reserved within DBO) | 712 | 631 | 28 | 25 |
| Included in Profit and Loss account | (526) | 5 | (46) | (27) |

| | | | | |
|---|---|---|---|---|
| **Remeasurements** | | | | |
| Effect of changes in financial assumptions | 64,055 | 16,092 | 2,494 | 620 |
| Effect of changes in demographic assumptions | 15,226 | 2,915 | 593 | 112 |
| Effect of experience adjustments | (8,606) | (4,390) | (336) | (257) |
| (Less)/Return on plan assets excluding interest income | (95,059) | 2,902 | (4,073) | (256) |
| Included in Other comprehensive income | (24,384) | 17,519 | (1,322) | 219 |

| | Group Scheme | | Company portion | |
|---|---|---|---|---|
| | 2023 | 2022* | 2023 | 2022* |
| | £'000 | £'000 | £'000 | £'000 |
| **Fair value of Plan Assets** | | | | |
| **Assets with a quoted price in an active market** | | | | |
| Cash and cash Equivalents | - | - | - | - |
| Equity instruments | - | - | - | - |
| Debt instruments | - | - | - | - |
| Diversified | - | - | - | - |
| Other | - | - | - | - |
| Total | - | - | - | - |
| **Assets without a quoted price in an active market** | | | | |
| Cash and cash Equivalents | 3,675 | 1,954 | 158 | 83 |
| Equity instruments | 11,382 | 21,671 | 488 | 928 |
| Debt instruments | 139,633 | 198,519 | 5,988 | 8,499 |
| Diversified | - | 25,246 | - | 1,081 |
| Other | - | - | - | - |
| Total | 154,690 | 247,390 | 6,634 | 10,591 |

* The Comparatives have been represented to reflect the reclassification to unquoted following a review of the measurement and presentation of the Group Plan's assets.

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:

| | *2023* | *2022* |
|---|---|---|
| | *%* | *%* |
| **Discount rate** | ·4.70 | 2.65 |
| **Inflation** | | |
| RPI inflation assumption | 3.20 | 3.50 |
| CPI inflation assumption | 2.55 | 2.80 |
| **Nominal rate of increase in pensions payment** | | |
| CPI 3% | 1.95 | 2.40 |
| RPI 2.5% | 1.85 | 2.30 |
| RP! 5% | 2.90 | 3.40 |

The assumptions have been calculated with reference to the duration of the scheme's liabilities of approximately 17.5 years. This is significantly shorter than previous year (23 years) due to heavier discounting of cash flows that underpin the defined benefit obligation following a significant increase in bond rates over the year.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard S3PXA light YOB tables weighted by 107%/110% for male/female pensioners and 113%/109% for male/female non-pensioners, and CMI 2021 core projections with long term rate of 1.5% per annum. The life expectancy for males currently aged 65 is 22.5 years and for females currently aged 65 is 24.1 years. The life expectancy for males at age 65 (currently aged 45) is 23.7 and for females at age 65 (currently aged 45) is 25.8.

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 Group Scheme defined benefit obligation at the end of the reporting period would have been because of an increase in the respective assumptions by 0.25%.

| | *2023* | *2022* |
|---|---|---|
| | *£'000* | *£'000* |
| Discount rate | (5,105) | (9,118) |
| Inflation | 3,319 | 6,297 |
| RPI | 960 | 2,608 |
| CPI | 2,340 | 3,639 |

In valuing the liabilities of the pension fund at 31st March 2023 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 2023 would have increased with an amount of £2,814,714 (2022: £6,125,980) 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 2021 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 Group 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 2021 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 Group Scheme is a Last Man Standing scheme. If the scheme is wound up the pension trustees will use any part of the Scheme left after they have satisfied all liabilities to pay to the Participating Employers in any proportion the trustees decide.

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

## 12. Subsequent Events

No subsequent events took place with a bearing on the financial position of the Company as of 31 March 2023.

## 13. Issued share capital

| | *2023* | *2022* |
|---|---|---|
| *Allotted, called up and fully paid* | *£* | *£* |
| 2,627,000 Ordinary shares of £1 each | 2,627,000 | 2,627,000 |

## 14. Ultimate parent undertaking and controlling party

The immediate parent company is NEC (UK) Limited. The ultimate parent undertaking and controlling party is NEC Corporation, which is incorporated in Japan. The 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 and are available to the public at NEC Corporation, 7-1, Shiba 5-chome, Minato-ku, Tokyo, Japan.