



Fujitsu Services Limited

Report and Financial Statements 2022

Registered number 096056



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Strategic Report

Fujitsu Services Limited ("Fujitsu", "Fujitsu Services" or "the Company") is a company incorporated in England and Wales. It is a wholly owned subsidiary of Fujitsu Services Holdings PLC ("FSH"), a public limited company also incorporated in England and Wales.

Principal Activities

Fujitsu Services Limited is the holding company of an IT services group ("the Group") operating primarily across the United Kingdom and Republic of Ireland. The Group's principal business activities are the delivery of IT services and products targeting customers' business requirements in ten key areas:

- **Application Transformation** – An end-to-end set of transformation services for consulting, application development, migration, integration and modernisation of client and mainframe application estates;
- **Hybrid IT Services** – Services to transition customers to multi-cloud platforms covering public and private cloud. Services include consulting, multi-cloud integration, orchestration and platform management;
- **Business Management Solutions** – Application development and support services for Business Management applications such as SAP, Oracle, ServiceNow and Microsoft;
- **Workforce & Workspace Services** – IT Services that enable individuals to work flexibly and safely, delivered in a modern and cost-efficient manner;
- **Network Services** – Services and technology helping organisations connect people, information and devices;
- **Digital Transformation** – Technology and business consultancy to assist customers exploit new technologies e.g. Robotic Process Automation, High Performance Computing, AI, IoT and Advanced Analytics;
- **Industry Solutions** – Technology and service solutions that address industry sector specific needs;
- **Cyber Security** – Products and services to protect systems and data from attack, damage or unauthorised access
- **Client Computing** – Products and related services for individual end users;
- **Business Centric Infrastructures** – Servers, storage, mainframes and support services that provide core IT capacity.

The Group has the full range of capabilities and relationships to deliver these services from hardware, data centres, networks, applications, consulting through to integration and deployment. Fujitsu has long-standing and deep relationships with key partners, such as Microsoft, SAP, AWS, VMWare, Oracle, ServiceNow, Citrix, RedHat, NetApp, SUSE and Nutanix.

Strategic Report continued

Business Objectives

The Fujitsu Group Purpose states that “our purpose is to make the world more sustainable by building trust in society through innovation.” The Fujitsu Management Direction on 28 April 2022 identified seven key focus areas and five Technologies in which to accelerate growth to support achievement of the Purpose:

Vertical	Horizontal	Technologies
Sustainable Manufacturing	Digital Shifts	Converging Technologies
Consumer Experience	Business Applications	Network
Healthy Living	Hybrid IT	AI
Trusted Society		Data & Security
		Computing

New technologies and approaches such as Cloud and Agile are driving growth in these areas and the Group will continue to focus on developing and delivering offerings using these technologies and approaches. The Group will also continue to align with the Fujitsu business strategy to become a Digital Transformation organisation, undertaking its own internal digital transformation and supporting customers in their digital transformation journeys.

Six Service Lines develop and deliver market leading offerings aligned to Business Solutions, Applications and Multi-Cloud Services, Workplace Services, Digital Transformation, Cyber Security and Service Integration. Delivery is supported through an integrated delivery organization with local, regional and global capability.

The Group's Products Business Line also focuses on innovation and development of solutions for customers, along with its more traditional business activities. Within Enterprise Platform Services (EPS) the focus is also on innovation and modernizing the way in which Fujitsu delivers its mainframe solutions in a modern and flexible operating environment.

The IT services market saw a recovery in the latter part of 2021 following the impact of the COVID-19 pandemic in 2020 and the early part of 2021. Momentum in the trends toward digitalization has continued but supply chain shortages impacted product supply in some cases.

The Group will remain focused on growth to meet the financial expectations of its shareholder whilst continuing to invest in the technologies that will support the Digital Transformation strategy. The Group has a strong existing customer base and reputation for delivering IT services and products into its geographic markets. The Group will continue its ongoing priorities of customer focus, investment in people and maintaining an ethical approach to business through its responsible business program.

Strategic Report continued

Principal Risks and Uncertainties Facing the Business

Fujitsu faces a range of risks and uncertainties in its daily operations and in achieving its strategic aims. As a provider of IT services and products to a wide range of customers, Fujitsu's major operational risks are those which affect service delivery. These risks include interruption of service and product supply, risks to the security of data for which it is the custodian, and failure of internal control and management systems through, for example, IT failure, human error, cyber-attack, or any other types of security breach. As an international business, Fujitsu may experience risks arising from temporary or permanent loss of markets, changes to market access, exchange rate fluctuation, or reduced viability of some operating capability. The global effects of the Russia/Ukraine conflict combining with the Covid-19 pandemic have led to inflation, expectations of low macro-economic growth, an increase in the threat of cyber attacks and continuing issues in hardware product component supply.

In response to the conflict in Ukraine and the global sanctions environment, the Fujitsu Group decided in March 2022 to transfer responsibility for the various services it has offered to customers from a third-party Global Delivery Centre (GDC) in Russia to delivery locations from other regions as soon as possible. The withdrawal from using the third-party GDC in Russia has required a programme of relocation of service supply and development activities for a small number of customers.

As with many IT companies, similarly dependent on electrical components sourced from the Far East, there are global supply chain issues, costs and delays in hardware product supply and logistics. These supply chain pressures are largely attributed to component demand and a supply imbalance arising from Covid-19 responses, as well as energy supply cost inflation as a result of the Russia / Ukraine conflict.

Whilst its customer base is extensive, Fujitsu remains dependent on a small number of large contracts, the loss of which would affect its future revenues, profitability and plans for growth.

As an organisation that is committed to being a responsible business, there are risks to consistent achievement of responsible behaviour and reputation perhaps arising from failure to comply with the regulations, standards and codes to which it has agreed and is accredited.

The Fujitsu Group is continuing to strengthen risk management across the regions outside Japan through a revised global approach to the analysis of risk-related data, incident management and escalation.

Business opportunities for Fujitsu are realised through the development of relationships with its customers, innovation and the consolidation of its reputation as a responsible, reliable and trusted supplier.

Strategic Report continued

Principal Risks and Uncertainties Facing the Business continued

The IT industry continues to provide innovative products and modes of delivery. There are many opportunities to exploit these innovations for the benefit of customers and the business, but there are also risks inherent in the introduction of new offerings and failure to develop or introduce them at the appropriate time. New technologies and approaches such as Cloud and Agile are driving growth and the Group will continue to focus on developing and delivering offerings using these technologies and approaches. The Group will also continue to align with the Fujitsu business strategy to become a Digital Transformation organisation, both by pursuing its own transformation and by supporting customers on their individual journeys to digital.

Whilst many of the uncertainties provide both threat and opportunity to Fujitsu, the major threats, and management actions to contain them, are described in the table below.

Specific Risks and Actions		
Risk	Impact	Management Action
Macro-economic environment and IT market.	Possible reduced growth and profitability in the IT Market.	The IT market saw a bounce back in 2021 following the impact of COVID-19 in 2020. In April 2022, forecasts from leading IT market analysts are expecting continued growth over the next three years although at a reduced rate compared to 2021. The macro-economic environment is deteriorating with GDP growth forecasts for most countries being downgraded. The aftermath of COVID-19 and the impact of the war in Ukraine is fuelling inflation in many countries and central banks are acting to control inflation with higher interest rates. Inflation is impacting both consumers through higher energy and food prices and businesses are also seeing higher material and payroll costs. Fujitsu is impacted by these macro-economic trends and there are considerable cost base pressures due to inflation, increased salary expectations, increased payroll taxes and increased energy costs. The market environment makes it difficult to pass these on to customers through price increases. Fujitsu will continue to mitigate these pressures to maintain profitability through investment in offerings, automation, value-based pricing and an enhanced employee value proposition to recruit and retain key skills.
Energy costs may further increase	Cost increase for provision of Service Delivery particularly Data Centre hosting, offset by inflation provisions in sales contracts.	Fujitsu buys energy in advance and was able to secure very favourable rates before recent price increases were imposed (currently purchased until end March 2024). For some building and facilities Fujitsu is not able to negotiate directly with suppliers and relies on landlords to provide utilities. It will continue to review datacentre and location policy as an ongoing process and move, maintain or divest as appropriate in line with business needs.

Strategic Report continued

Principal Risks and Uncertainties Facing the Business continued

Specific Risks and Actions		
Risk	Impact	Management Action
New competitors	New technologies and business models may impact the return on investment.	Fujitsu's Purpose is to "Make the world more sustainable by building trust in society through innovation". Strategic investment across a number of key focus areas and capabilities will support this Purpose. Investments will be designed to anticipate market developments and customer needs in order to maintain competitiveness. Fujitsu will also continue to invest in supporting technologies such as AI, Quantum-Inspired computing, Cyber Security, Data Analytics and Blockchain. Deepening partner relationships with, for example, Amazon Web Services, SAP, VMWare, Oracle, Microsoft, ServiceNow, Citrix, SUSE, RedHat, NetApp and Nutanix will also be important in responding to changing market and customer needs.
The changing cyber threat landscape and attack methods	A cyber-attack against Fujitsu could disrupt the ability to provide services to customers and cause internal business interruption. Increased likelihood of attack threats, offset through management action.	By continuous monitoring of the changing cyber security threat landscape Fujitsu gains a deep insight around evolving cyber-attack tactics, techniques and procedures (TTP). Incorporating this intelligence into security improvement programs and associated security controls is a key measure in the protection against such attacks. This analysis provides Fujitsu with the knowledge to improve its security program, associated security controls and key measures to detect, protect and respond against cyber-attacks. Geopolitical changes and military conflict in Europe are posing an increased risk of digital warfare. Escalating conflicts are expected to challenge cyber defence activities in an unprecedented way. Europe Alert established in January in response to the heightened threat, Russia Threat & Risk report along with remediation plan is progressing with multi-stakeholders engaged representing both Fujitsu Japan, the Europe Region and Global Delivery. Enhanced monitoring & technical vulnerability management, and Cyber Threat Intelligence (Actor Profiling) - regular reporting to the Alert and Regional Leadership.
Failure of internal IT management systems.	Failure to meet service levels, delivery deadlines and financial targets.	Management continues to review and deliver projects for existing systems and associated services for upgrade, replacement or monitoring to maintain service. In the event of failure, impact is mitigated through IT Disaster Recovery process and managed through a well-established Europe Alerts and Crisis Management process and procedure.

Strategic Report continued

Principal Risks and Uncertainties Facing the Business continued

Specific Risks and Actions		
Risk	Impact	Management Action
Development and maintenance of secure systems for customers	Change of attack methods. A system security breach could have a significant impact on customer relationships, revenue, profit and reputation.	Security by design is key to all build activities with improved processes for ongoing maintenance and support. Fujitsu includes technical organizational measures as specified in our minimum-security controls framework. Awareness and governance in these areas is reinforced through risk assessments and monitoring of the ever-changing cyber threats and attack methods, evaluated against external change and major / material internal change, coupled with compliance reporting. A clearly defined and implemented incident review process additionally supports the root cause analysis and early detection of security vulnerabilities. Cyber breaches are included as topics within overall alerts and crisis management rehearsal programs.
Sanctions imposed on Russia and exit from 3rd Party Global Delivery Centre in Russia	Transfer disruption to a very limited number of customers & internal services as these are transitioned to other global locations	Services are being transferred to other locations. Planning for individual services has been through consultation with clients and alternative locations offered. The use of Global Delivery Centres may be offset by increased use of onshore services as client demand increases for sovereign support and Data protection.
Third Party Supply Chain	Sanctioned Suppliers	Due to the ongoing situation between Ukraine and Russia, Fujitsu has reviewed its supply chain and initiated continuity plans where relevant. By demonstrating an agile and resilient approach to sourcing it has been possible to minimise the impact to the business. However, we continue to remain vigilant and review our strategies to allow a swift response to the developing situation and international sanctions. Future supply chain disruptions are considered inevitable due to factors such as commodity price fluctuations, cyber-attacks, socio-economic and geo-political perspectives, labour disputes and natural disasters. Fujitsu therefore continues to incorporate robust business continuity planning into our sourcing strategies to mitigate these risks.
Third Party Supply Chain to the IT Services Business activities	Supplier Financial Failure	Despite ongoing macro-economic effects of COVID-19, the impact to the business was limited by effective execution of business continuity plans. Whilst the domestic situation is improving, there are still challenges internationally. The situation continues to be monitored to identify potential impacts, including the effects of more recent energy cost inflation.

Strategic Report continued

Principal Risks and Uncertainties Facing the Business continued

Specific Risks and Actions		
Risk	Impact	Management Action
Management of sensitive data on behalf of customers and supporting its own business needs.	Loss of sensitive data could have a significant impact on customer relationships, revenue, profit and reputation.	Fujitsu Europe's security program is based on the awareness and responsibility of each individual employee. The program is executed and implemented through communication, mandated training and appropriate reporting services. Additionally, as continuous improvement, technical security measures of IT systems and infrastructure are identified and implemented via change control. The monitoring, analysis and evaluation of cyber threats and new attack methods are also important elements in securing sensitive processes and data. GDPR and data privacy risks are actively managed as part of our normal operations.
Risk to the Health & Safety of employees and disruption to customer delivery arising from the Covid-19 Pandemic	Health and safety of our employees and the continuity of customer delivery.	<p>Fujitsu adopted a standardised approach to COVID-19 management across the international regions, in excess of local governmental requirements. COVID-19 management included detailed analysis of the impact on general populations and employees across Europe and enabled robust business continuity and Occupational Health and Safety arrangements to be implemented. Business continuity and emergency plans were maintained during the pandemic to ensure alignment with general risk levels. Specific arrangements included hybrid working, travel model management, event planning, employee testing and in some countries, support for employee inoculations to further reduce risk of infection disruption. HR policy decisions included an extension to childcare/carers' flexible leave and additional volunteering leave allowance. Direct surveys of employees were launched to gauge employees' experience of the support and actions taken by Fujitsu.</p> <p>Longer-term strategy is focused on increased remote and flexible working, building on lessons learnt and the positive effect this approach has had on many colleagues' ability to manage their work and personal commitments.</p>
Cost of Living and salary expectations	Wage inflation; risk of increased competition for talent	The Directors recognise the likely impacts of widespread inflationary pressures on employees' costs of living. The Group is committed to ensure fair salary compensation levels. Reward strategies are designed at country level to ensure they reflect local conditions and remain competitive in each market. Specific staff retention measures include key talent reviews to identify and retain talented individuals who add value to the business, particularly in business-critical roles.

Strategic Report continued

Principal Risks and Uncertainties Facing the Business continued

Specific Risks and Actions		
Risk	Impact	Management Action
Skills Shortage	Risk of digital skills labour shortage	<p>A skills and labour shortage is affecting almost every sector of the economy and the digital technology sector is no exception. Action to support personal development and career progression is being prioritised to highlight opportunities to fulfil career ambitions at Fujitsu and help retain highly skilled, highly motivated teams. Additionally, external hiring processes draw from as broad and diverse a pool as possible to attract new talent with different perspectives and experiences that add value to Fujitsu and its customers.</p> <p>Investment in apprentices and young talent is advancing inclusion and extending economic and career opportunities to a broader socio-economic base. A 'Work Your Way' programme aims to remove barriers to employment caused by traditional working hours and fixed office locations that have limited opportunity to under-represented groups in the tech sector, including women, people from ethnic minority groups, people with disabilities. This approach is expected to provide a sustainable way to attract talent despite the high market demand.</p>
IT Equipment component supply	Worldwide shortage of multiple hardware components caused by COVID-19, increased demand, trade regulations, transport capacity limitations - leading to prolonged lead-times across the product industry.	<p>During the year the Product business was significantly negatively impacted by the ongoing microchip shortage and reduced worldwide transportation capacities. The markets are still suffering from ongoing pandemic effects and infection rates. COVID-19 has jeopardized global supply chains in an unprecedented way across sea, land and air. The "Zero-Covid-Strategy" in China led to temporary closures of some supplier factories and ports. The closure of Russian airspace and land bridges because of the Ukraine war reduced available transport capacity further and led to logistics cost increases. Prolonged product lead-times have been experienced, some significant price increases and a negative impact on quality and size of the European Product business. Fujitsu's Product Global Supply Chain, as well as some vendors, have signalled that material shortage and transport capacity limitations in general will continue throughout the next financial year. The strategy to counteract these pressures has focused on sale of more readily available products, including models with short-term availability rather than reliance on build-to-order offerings, combined with further intensified purchasing efforts and careful monitoring of inventory.</p>

Strategic Report continued

Principal Risks and Uncertainties Facing the Business continued

Specific Risks and Actions		
Risk	Impact	Management Action
Compliance Breaches	Financial penalties and reputational loss	<p>Integrity and ethical behaviours are considered essential for long-term business success. The Group has developed its ethics policy in a comprehensive corporate compliance program, based on the Global Fujitsu Compliance program. www.fujitsu.com/global/about/csr/compliance</p> <p>This program aims to prevent, detect and investigate criminal behaviour by employees and officers. Fujitsu has a "zero tolerance" approach and investigates any suspicion of possible violations. Fujitsu maintains a reporting web portal and alert hotline (Fujitsu Alert) as well as a Compliance portal and mailbox, to enable employees to understand Fujitsu's compliance requirements and report suspected wrongdoing openly or anonymously. External parties may also contact Corporate Compliance through Fujitsu Alert.</p> <p>In addition to the Fujitsu Way, Global Business Standards and the implementation of Compliance Guidelines, the program emphasizes the importance of tone from the top and includes a risk-based approach to identify and mitigate risks, communication and training for employees and ethics commitments for employees and managers. A mandatory annual online training includes the Fujitsu Way, Global Business Standards as well as specific anti-bribery and anti-corruption policies, anti-trust awareness, and export control. Third party suppliers are validated against due diligence criteria in the interests of best practice and company integrity. Fujitsu continues to ensure that transactions are systematically controlled against current Sanctions and Denied Party list restrictions and Licence requirements. Sensitive transactions require compliance pre-approval, including high-risk suppliers, sponsoring, charitable donations and political contributions. Gifts and entertainment transactions are captured in a register for review and approval. Corporate Compliance conducts review and monitoring activities to validate the effectivity of the Compliance program, including a quarterly update of the risk assessment and associated containment actions.</p>

Strategic Report continued

Business Review

During the year the Group continued to operate across its two principal geographies, the UK and Republic of Ireland. The general business and economic environment improved during the year, following the significant disruption caused by the COVID-19 pandemic in the previous year. The Group had responded well to the challenges of business continuity, including the adjustment to new ways of working to ensure customer commitments continued to be met and employee wellbeing supported. Although business operations were not significantly curtailed, business development opportunities and sales engagement were adversely affected, with lower order intake and closing order backlog for future revenue recognition.

Financial Key Performance Indicators

The following Key Performance Indicators (KPI's) are used to monitor business performance, including comparison to the previous financial year:

	2022 £m	% Change	2021 £m
Orders received	1,177.2	-1.0%	1,189.2
Closing backlog	1,708.0	-6.3%	1,824.0
Revenue	1,296.2	+0.6%	1,287.8
Profit/(loss) before taxation	22.1	-52.5%	46.5
Total equity	920.7	3.6%	888.2
Cash and cash equivalents	13.7	-82.4%	78.0

Other key non-financial KPIs

	2022	% Change	2021
Headcount – permanent FTE	6,284	-8.0%	6,831
Total Energy Use (tonnes CO ₂)	23,684	-2.6%	24,321

Strategic Report continued

Business Review continued

Operating activities

The Group remains well diversified across the public and private sectors, and industries. Sales order performance has remained at a similar level to last year, with new orders booked of £1.177 billion, compared to £1.189 billion in the prior year, representing a year-on-year reduction of 1.0%. Book-to-bill ratio has remained at 0.9 this year, against a target of 1.0 which is required to maintain order backlog. Total backlog stood at £1.709 billion at the reporting date, compared to £1.824 billion at the end of the previous year and represents committed contract revenue to underpin future business performance.

Last year the UK business secured a significant new contract with the UK Government, HM Revenue and Customs, to provide a new BREXIT-related trader support service for the movement of goods between Great Britain and Northern Ireland. This contract has performed well during the financial year, delivering profitable revenue growth from the Tax and International Customs sector.

After the success of the Trader Support Service (TSS) contract win, Fujitsu led a consortium to launch a new digital solution, Digital Trader Services (DTS), enabling UK businesses to submit customs declarations for importing goods from the EU to Great Britain in a simple and cost-effective way. However, this year, after reassessment of the size of target market, a decision was made not to proceed any further with development and implementation of the DTS solution due to the significantly lower market demand than anticipated. As a result of the decision, Fujitsu fully impaired its capitalised development expenditure on the DTS solution of £6.7m and incurred supplier termination costs of approximately £1.3m. Despite the cost of exit, this decision will allow Fujitsu to focus on other profitable opportunities in the international customs market.

Overall, new order intake this year reduced slightly by 1.7%. In the UK, significant new orders recognised last year for VME VPaaS and TSS bolstered last year's order achievement. However, significant new business wins and contract extensions with existing customers this year in the Technology Services business, as well as order growth across public and private sector customers, has helped to maintain order achievement for the Group. The UK Product Business also delivered order growth this year.

Total consolidated revenue for the Group this year of £1,296.2m is similar to performance in the previous year (increased by 0.6%), driven by slightly higher revenue performance in the UK, offset by softer revenue performance in Ireland. Profitable revenue growth remains an important strategic goal of the Group to improve overall business profitability and to replace established profitable contracts as they expire.

Strategic Report continued

Business Review continued

Operating activities continued

Total gross margin for the Group of £252.3m (2021: £277.7m) represented a return of 19.5%, compared to 21.6% last year which is down on management expectations. Trading margin this year has been adversely impacted by the decision to withdraw the DTS customs solution, and also additional contract delivery costs incurred in Ireland to complete a significant customer implementation project across Europe and provision of related solution support. The estimated cost of fulfilling the contractual obligations have been provided for at the reporting date and the progress remains under executive management review.

Operating margin this year has fallen from 4.0% to 2.0% return on sales. Total profit before tax for the year of £22.1m compares to £46.5m in the previous year, which is stated after employee rationalisation expenditure of £15.8m. This investment was approved to fund a voluntary exit programme to rationalise the UK Service Delivery organisation. The programme was concluded during the current year, reducing permanent headcount across the Group and related personnel costs. There have been no further rationalisation programmes approved this year and delivery resource utilisation has remained high.

The Group no longer holds any specific impairment provision (2021: £1.3m) against customer receivables or contract assets specifically in relation to COVID-19 risk factors, as there has been no significant experience of credit default by customers in heavily impacted industry sectors such as retail, hospitality and travel.

The Group's investment in research and development OPEX this year was £34.9m, which represented an increase £4.2m versus the prior year. General and administrative expenses have been reduced this year by approximately £5.5m, helping to offset overhead pressure on operating profitability for the Group.

The global R&D investment by Fujitsu Limited was 105.3 billion yen (£659.0m) for year ended 31 March 2022 (2021: 113.8 billion yen; £746.4m). The benefits of this global investment are propagated throughout the Fujitsu Group worldwide, including the Fujitsu Services Group of companies. Fujitsu in the UK has led the Group's investment in a new SAP S/4 HANA OneERP system for Europe. This year the programme moved into the implementation phase, including planning for the first migration for the UK and Ireland which went ahead in April 2022. Additional capitalised development expenditure on the programme this year amounted to £30.1 m and a total of £77.4m to date.

Balance sheet

Management regularly reviews the carrying value of Goodwill in the Group and performs a full annual impairment test in March each year. Goodwill is allocated to CGUs on a geographical basis. Adequate headroom against impairment was identified for both CGUs in the UK and Ireland respectively, with no impairment recognised.

Strategic Report continued

Business Review continued

The Group has a number of legacy defined benefit pension schemes in the UK. Only one remains open to benefit accrual for existing members while the others are closed. The valuation of the net pension asset for these schemes is significant to the Group - £728.9m at 31 March 2022 (2021: £645.5m). Group equity is exposed to annual actuarial remeasurement gains and losses. This year actuarial remeasurement of financial and non-financial assumptions resulted in a net gain, recognised directly in equity, of £32.5m. In the previous year the net actuarial loss was £281m which reflected a partial unwind of a significant gain recognised in March 2020 as the financial markets responded to COVID-19. The schemes are in deficit on a Trustee valuation basis and deficit contributions are being paid by the UK sponsoring companies, as required by UK Pension Regulations. This year total contributions paid amounted to £44.3m (2021: £44.1m).

Pension scheme remeasurement is also a key driver to changes in the Group's net deferred tax liability, as it adjusts in line with valuation of the total retirement benefit asset. Although DTL relating to pension remeasurement is recognised directly in equity, adjustment to recognised DTA is taken directly to Tax income/(expense) in profit or loss.

Cashflow

Net cash outflow for the year was £1.3m, represented by the change in group cash and cash equivalents, including loan/deposit balances with the Fujitsu Europe Group Treasury in-house bank (IHB), which is a key component of the European Group's cash management processes. Fujitsu Services Limited expanded their participation in the IHB arrangement during the year, which aims to concentrate group cash resources and maximise cash utilisation. Cash inflow from operating activities this year was £50.8m (2021: £46.3m), after payment of pension contributions of £44.3m (2021: £44.1m), which was utilised to fund capital investment of £50.3m (2021: £38.6m) and to pay lease liabilities of £31.4m (2021: £33.1m). The Group also received short-term, intercompany loan financing of £34.7m from Fujitsu EMEA PLC, a fellow Fujitsu group undertaking and financial services provider, to meet additional cashflow requirements. Closing cash and cash equivalents amounted to £13.7m plus a net IHB deposit of £63.0m, totalling £76.7m (2021: £78.0m) in the Statement of Cash Flows.

Other matters

With effect from 1 June 2021, the Post Office Horizon IT inquiry led by Sir Wyn Williams was put on a statutory footing. Fujitsu Services Limited has been co-operating with this Inquiry since it began, has been designated as Core Participant and will continue to support the Inquiry process until its conclusion.

In response to the major escalation in the conflict between Russian and Ukraine in February 2022, Fujitsu Limited announced its intention to withdraw from business operations in Russia and business with suppliers based in Russia, including services provided to the Group by the Global Delivery Centre in Kazan, Russia.

Strategic Report continued

Business Review continued

This transition is currently being managed by Fujitsu Limited's Global Delivery organisation, and services are being transitioned to other Fujitsu GDCs in Europe and India.

Supplier Payment Policy

In the UK, Fujitsu Services Limited is a signatory to the UK Government's Prompt Payment Code, which requires businesses to address their payment culture and ensure that suppliers are paid on time and fairly. In line with the general principles of the Code, Fujitsu commits to paying suppliers on time with a target of 95% of invoices paid within 60 days, and small and medium-sized organisations (SMEs) paid within 30 days. Fujitsu has undertaken a detailed review of its contractual payment terms, particularly with SMEs, to ensure that terms are compliant with the Code, and has also worked with its suppliers across the supply chain to ensure that the Company's P2P policies and processes are clear and delays in invoice and payment processing can be minimised.

As a key supplier to UK Government, Fujitsu in the UK remains committed to achieving its supplier payment performance targets, in line with the requirements of the PPC, and as has been recognised by the Cabinet Office as having achieved strategic and sustained improvements in its adherence to the Prompt Payment Code.

Result and Dividends Summary

	2022 £m	2021 £m
Profit/(loss) for the financial year	22.4	22.1

The Directors do not recommend payment of a final dividend on the ordinary shares. No interim dividends were paid in the current year (March 2021 - £nil).

Strategic Report continued

Environmental matters

Energy & Carbon reporting – methodologies

Greenhouse Gas ("GHG") methodologies are used, in conjunction with an established Carbon Reduction Commitment ("CRC") reporting structure, to compile the data for this report. Energy data comes from either invoice, half-hourly meter data or property landlords, except for transport. Road transport data is collected from fuel used on fuel cards and mileage claims for those employees with no fuel card. Rail and air data is sourced from travel agent and expenses systems. Both market-based and location-based emissions data is prepared and set out in the tables below, including year-on-year trends.

Summary of emissions by scope (market-based)

Fujitsu UK and Ireland				
Financial Year	2020	2021	2022	% Change
Scope 1	5,915	2,729	2,866	5.0%
Scope 2	512	-	-	0.0%
Scope 3	4,392	317	781	146.4%
Scope 3 indirect	2,410	753	927	23.1%
Total	13,229	3,799	4,574	20.4%

Summary of emissions by scope (location-based)

Fujitsu UK and Ireland				
Financial Year to 31 March	2020	2021	2022	% Change
Scope 1	7,290	4,249	4,455	4.9%
Scope 2	18,227	15,258	12,628	-17.2%
Scope 3	4,392	317	781	146.4%
Scope 3 indirect	5,085	3,025	4,434	46.6%
Scope 3 Transmission	1,528	1,293	1,100	-14.9%
Scope 3 Indirect Transmission	213	179	286	59.8%
Total	36,735	24,321	23,684	-2.6%
Intensity ratio: Total t/CO2e per average FTE				
Total t/CO2e	36,735	24,321	23,684	-2.7%
Average FTE	6,853	6,799	6,389	-6.0%
t/CO2e per FTE	5.4	3.6	3.7	3.6%

Intensity ratio is expressed as total tonnes CO2 per full-time equivalent permanent employee for each year 2020 to 2022. Total CO2 emissions per FTE remained flat for 2022 versus 2021. However since 2020, this ratio has fallen by 31%, driven primarily by reduction in total carbon emissions. Fujitsu in the UK and Ireland purchases all energy for Buildings (gas and electricity) using renewable sources backed by REGOs and RGGOs, (via energy suppliers).

Strategic Report continued

Environmental matters continued

Detailed carbon report (market-based)

Fujitsu UK and Ireland				
Financial Year	2020	2021	2022	% Change
Electricity t/CO ₂ e	512	-	-	0.0%
Gas t/CO ₂ e	248	32	32	0.0%
District Heating t/CO ₂ e	-	-	-	0.0%
Total Energy t/CO₂e	760	32	32	0.0%
Air t/CO ₂ e	3,019	103	222	115.5%
Rail t/CO ₂ e	540	6	102	1640.6%
Road t/CO ₂ e	8,910	3,658	4,218	15.3%
Total Business Travel t/CO₂e	12,469	3,767	4,542	20.6%
Total t/CO₂e	13,229	3,798	4,574	20.4%

Detailed carbon report (location-based)

Fujitsu UK and Ireland				
Financial Year to 31 March	2020	2021	2022	% Change
Electricity t/CO ₂ e	22,464	18,804	17,251	-8.3%
Gas t/CO ₂ e	1,803	1,750	1,891	8.1%
District Heating t/CO ₂ e	-	-	-	-
Total Energy t/CO₂e	24,267	20,554	19,142	-6.9%
Air t/CO ₂ e	3,019	103	222	115.5%
Rail t/CO ₂ e	540	6	102	1640.6%
Road t/CO ₂ e	8,910	3,658	4,218	15.3%
Total Business Travel t/CO₂e	12,469	3,767	4,542	20.6%
Total t/CO₂e	36,736	24,321	23,684	-2.6%

Energy Use Report

Fujitsu UK and Ireland				
Financial Year to 31 March	2020	2021	2022	% Change
Electricity Grid kWh	72,455,743	65,081,062	59,203,119	-9.0%
Electricity self-supply (renewable)	-	133,569	151,800	13.6%
Gas kWh	8,671,248	8,421,585	8,764,979	4.1%
District Heating kWh	-	-	-	0.0%
Total Energy kWh	81,126,991	73,636,216	68,119,898	-7.5%

Fujitsu has a high electricity base load due to the nature of our business and IT infrastructure. The pandemic drove a significant shift in working patterns for office-based staff to home-working and the Group has now adopted a hybrid working model ("Work your Way") that offers flexibility to employees, supported by a digital workplace environment. This has meant that building usage has changed and will continue to change. The Group's carbon footprint has remained significantly lower than pre-pandemic times, with a reduction in kWh especially in the office spaces.

Strategic Report continued

Environmental matters continued

Energy efficiency actions taken by region during the financial year

In the UK office refurbishments in hub sites have continued, allowing for installation of energy technologies, including lighting, HVAC and fabric, and smart solutions deployed for the control of energy usage in meeting and conference rooms to minimise energy wastage. Under-utilised space has been closed or rationalised where possible, as remote hybrid working has continued across the organisation.

Opportunities are also being explored with partners to identify opportunities for self-generation of energy to provide renewable electricity and heating.

Fujitsu Europe Environmental Management System: ISO 14001:2015 Registration

In 2021, Fujitsu in Europe achieved the recertification of its multi-site ISO 14001:2015 certificate, including the companies in the Fujitsu Services Group. This certification confirms that the Group's Environmental Management System provides a systematic approach to management of environmental impacts and continuous improvement. The new certificate is valid until August 2024.

Employee Matters

Diversity, Equity, Inclusion and Wellbeing

At the end of the financial year the Group had approximately 6,300 full-time equivalent employees (2001: 6,800). The majority of the workforce of approximately 6,100 are based in the UK, with the remainder supporting the business in the Republic of Ireland.

At 31 March 2022, in the UK, the gender mix was similar, with 24% women and 76% men, an average age of 47 and 14 years of employment with Fujitsu.

Fujitsu's Diversity, Equity and Inclusion (DE&I) strategy is embedded as a key focus area within its **Global Responsible Business**. It is recognised that having a diverse workforce and an inclusive and equitable culture that deliver a sense of belonging, where everyone can be themselves, is critical to the Fujitsu Group's future business success. The Group takes a connected approach to inclusion and wellbeing. As an employer Fujitsu considers Wellbeing to be an essential component of inclusion and recognises the diversity of employee needs, expectations and priorities.

During 2021 Fujitsu Europe established its Inclusive Community, a refreshed approach to employee networks which will create greater intersectionality, visibility and inclusion across all areas of diversity. Strategic focus areas have been agreed, as follows:

Strategic Report continued

Employee Matters

Diversity, Equity, Inclusion and Wellbeing continued

Inclusion

- Recognising and celebrating the power of our difference
- Inclusive hiring
- Inclusive career progression
- Recognising that we are each responsible for creating an inclusive environment
- Inclusive line managers

Wellbeing

- Sustaining wellbeing in the hybrid world
- Creating an open mental health culture
- Sustaining the financial wellbeing of our people

Both focus areas seek to influence inclusion and wellbeing in wider society and ultimately contribute to Fujitsu's global commitments to the UN 17 Sustainable Development Goals (SDGs).

Fujitsu has also gained external recognition for its inclusive culture. In the UK, Fujitsu UK has been recognised as a Top Employer for Workplace Equality on the Stonewall Workplace Equality Index for LGBT+ inclusion. Additionally, Fujitsu UK has been accredited for the fifth consecutive year as a Times Top 50 Employer for Women in the UK, as well as Top Employer at the UK Black in Tech Awards. In Ireland, Fujitsu was recognised for Outstanding Contribution to Championing Diversity, Inclusion and Belonging at the CIO & IT Leaders Awards 2022.

This recognition is based on Fujitsu's work to promote the values of equality, diversity and inclusion in the workplace, and specifically Fujitsu Ireland's STEM Education programme which is positively influencing a diverse talent pipeline of the future. Fujitsu UK also holds Disability Confident Leader status which is recognised by the DWP.

During 2021 a refreshed version of the female-leadership programme, 'Ignite', was launched. This programme focuses on supporting the career progression of women into senior roles, aimed at addressing under-representation of women at senior leadership levels. The predecessor programme led to a 36% progression rate for participants. Participation in this programme is through self-nomination to ensure there were no barriers to people putting themselves forward.

Strategic Report continued

Employee Matters

Diversity, Equity, Inclusion and Wellbeing continued

For the fifth consecutive year, Fujitsu is also offering 'Perspectives', its annual Reverse Mentoring programme which provides leaders across Europe the opportunity to learn from a colleague with a different set of experiences on the topic of age, gender, gender identity, ethnicity, sexual orientation, social background and disability. 48 leaders from across Europe are taking part in this to develop their insight and to support inclusive leadership practices.

Fujitsu recognises key days in the global inclusion calendar and takes the opportunity to celebrate contributions, educate colleagues and promote an inclusive culture. International Women's Day was celebrated with a series of events aligned to the external theme of #BreakTheBias. Together with a number of partners, a series of global events were organised to recognise Pride and International Day of Persons with Disability was also celebrated with events focused on 'The human model of ability', virtual escape rooms and 'origami with a twist', where colleagues could experience sensory and auditory disability.

Fujitsu recognises that people can be disabled by barriers in society, not only by their impairment or difference. In the UK an improved approach has been introduced for colleagues to access reasonable adjustments, working with a personal case manager. This process will also be extended across Europe during the latter part of 2022.

Fujitsu continues to deliver against its Digital Accessibility strategy, to become inclusive by design in ensuring that colleagues can use technology without barriers. This is a commitment to the Valuable 500 campaign for Disability inclusion and during the year the focus has been on role-specific training for those involved in design, communications and marketing, and embedding accessibility into procurement and governance processes. Fujitsu has also worked with Out Now, an external partner, to support their research into 'Sustaining LGBT+ inclusion when working remotely'.

This research has been published externally and building on the learnings, a bespoke Allyship eLearning is available for colleagues across Europe and Global Delivery Centres. This training covers six modules, ranging from the business imperative of allyship to how to be part of an employee network.

In the UK Fujitsu has set out its Ethnic Diversity Action Plan and published its 2021 Ethnicity Pay Gap voluntarily. We have chosen to do this because we want to be transparent about our actions and publish measures to hold ourselves to account. The Action Plan focuses on 4 themes:

- Education for all colleagues to increase awareness of racial equity and inclusion;
- Leadership - diversity and education to ensure senior leaders set the tone for an inclusive culture;
- Culture – ensuring we create a culture where people of all ethnicities can thrive;
- Measure – using data to inform and measure the impact of our action plans.

Strategic Report continued

Employee Matters

Diversity, Equity, Inclusion and Wellbeing continued

Fujitsu believes that its leaders play an essential role through their behaviours and commitment to creating an inclusive culture. Regional business leaders are expected to report regularly on their business line or country-focused diversity and inclusion action plans, progress and priority areas. These reviews include a gender dashboard and, in the UK, also an ethnicity dashboard. Leadership dashboards are available in real-time to understand diversity across recruitment, career progression and attrition. Leadership KPIs also include 2 metrics relating to diversity and inclusion. Firstly, gender diversity in leadership roles and, secondly, support for disability inclusion including Fujitsu's digital accessibility initiatives.

In those countries where it is legally and culturally appropriate to do so, employees are asked to voluntarily share demographic information in the annual employee engagement survey. This enables understanding of any differences in the experiences of diverse groups and informs equity and inclusion action plans.

Finally, the UK has introduced an **Inclusive Community**. This community brings together all five employee networks to create greater intersectionality, visibility, and inclusion across all areas of diversity. It also engages champions across the business to get even more engagement with inclusion activity.

Wellbeing activities are aligned to the 6 standards within the Mental Health At Work Commitment including commitment to normalising mental health and removing any stigma associated with it. This is supported by regular discussions about mental health, sharing stories and taking part in events including Mental Health Awareness week, Stress Awareness month, Time to Talk day and World Mental Health Day. Leaders share their own personal stories of how their own mental health has been challenged and what they have done to support their mental wellbeing.

Fujitsu also communicated its 'Work Your Way' commitment during 2021, representing an ongoing commitment to flexibility in where and when people work, beyond the limitations imposed by the COVID pandemic. This commitment is a direct response to employee feedback that 85% want to work more remotely.

Employees are encouraged to think about the time they spend in the office and focus on the 6 C's – the 6 reasons we spend time in offices for Customer delivery, Connection, Coaching, Collaboration, Creativity, and Choice. Other Wellbeing initiatives include webinars on topics such as nutrition, burnout, resilience, sleep, bereavement, weekly virtual yoga events and a team based physical activity challenge. A Men's Forum has also been established to develop discussions on topics relating specifically to men's wellbeing, and the cultural diversity community have also held focus discussions on mental health in communities of colour.

Strategic Report continued

Section 172 Statement

The Board of Directors of Fujitsu Services Limited consider, both individually and together, that they have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1) (a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 March 2022.

The Company's relationships and interactions with its shareholder, employees, customers, suppliers and the wider community and environment are key to its long-term success. The importance of good governance is recognised and the Group has a comprehensive governance and assurance structure in place, supported by management systems and delegations of authority which align to the Company and Fujitsu Group's aim to maintain high standards of Corporate Governance whilst taking into account the following matters, as set out in s172(1) (a-f):

- a) the likely consequences of any decision in the long term,
- b) the interests of the company's employees,
- c) the need to foster the company's business relationships with suppliers, customers and others,
- d) the impact of the company's operations on the community and the environment,
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly between members of the Company.

Fujitsu Limited announced its overall business strategy to become a Digital Transformation Company in September 2019; to ensure that Fujitsu is the partner of choice to help guide customers through the technological and business change needed for Digital Transformation.

The Company and its subsidiaries are key to supporting Fujitsu Limited's strategic objective to become a digital transformation company. To this end the Executive Directors, supported by their leadership team, have overseen the transformation process to respond to the challenges of a changing marketplace and put Fujitsu on a path to long-term, sustained growth.

The Directors work closely with the Shareholder to determine the strategy and inform the mid-term planning process to support the Fujitsu Group strategic objectives. Through a comprehensive review process they satisfy themselves that rigorous financial controls and a risk management system are in place to inform and give assurance to the Directors. A framework of policies and processes are in place to support the Governance and Assurance of the Business in order to meet the international standards appropriate for a Group of this size.

Fujitsu puts ethical practices at the heart of every business decision, committed to working with small-medium enterprises (SMEs) and is one of the first 15 organisations to sign up to the BITC Access Pledge, demonstrating commitment to tackling barriers facing small businesses.

Strategic Report continued

Section 172 Statement continued

SMEs now make up approximately 44% of our active supply chain. In 2019, Fujitsu published its Responsible Procurement Charter based on the Responsible Business Alliance Code of Conduct. This Charter has been written with SME suppliers specifically in mind to facilitate and guide them on their journey to improve their approach to responsible business. Fujitsu is also a subscriber to the Government's Prompt Payment Code and remains committed to ensuring adherence to the benchmarks set under the Code. The importance of all its suppliers and partners, whether small or large, is recognised and Fujitsu has long-standing and deep relationships with its key partners.

More information on Fujitsu's approach to Responsible Business and the Environment are set out in this Strategic Report.

Fujitsu promotes a healthy work culture to empower and enable all employees through physical, mental and social wellbeing activities. The Group is committed to creating an inclusive environment where everyone has a voice, can be completely themselves and communicate their views. This is integral to the Fujitsu Way and our ability to co-create and innovate. The Strategic Report outlines the actions being taken to support employees and ensure that the workforce is diverse and inclusive. The Responsible Business Board is chaired by one of the Executive Directors and there is an active Responsible Business community across the Group informing and encouraging employees to get involved in various initiatives.

Following the emergence of the COVID-19 pandemic, the Fujitsu Group put the safety of employees and customers as the number one priority and, ahead of government advice, employees were assigned to remote home working. A number of different initiatives have also been run to care for employees' physical and mental wellbeing. At all times, but particularly during this time of crisis, the Board ensured regular updates are provided to all employees through their country leadership teams. More information on Fujitsu's relationships with its employees is contained in the Employee Matters section of this Report.

Modern Slavery and Human Rights

The Board has approved a Modern Slavery Act Transparency Statement in compliance with section 54 of the Modern Slavery Act 2015, which is available to view on the Company's website below.

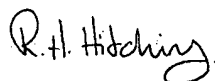
<http://www.fujitsu.com/uk/about/local/corporate-responsibility/modern-slavery-statement/>

Strategic Report continued

Donations

Charitable and educational donations and sponsorships made during the year amounted to £426,839 (2021: £314,000). There were no political party events or sponsorship during the current year and no political donations made.

The Strategic Report was approved by the Board on 14th December 2022 and signed on its behalf by:



Rachel Hitching

Company Secretary

Lovelace Road,

Bracknell, Berkshire, RG12 8SN

Directors' Report

The Board

The Directors holding office at the date of this Report and changes since the date of the last Report are as follows:

Paul Patterson

Roberto Putland

Anwen Owen (appointed 1 June 2022)

Other Information

The Directors have chosen in accordance with section 414C(11) of the Companies Act to set out in the Strategic Report the following information that is otherwise required to be contained in the Directors' Report:

- Activities in the field of Research & Development;
- Indication of the existence of branches of the Company outside the UK;
- Directors' recommendation of a dividend;
- Donations (including political party donations);
- Financial instruments (risk management objectives and policies).

Indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 4.

The Directors have prepared the Financial Statements on a going concern basis, which they have assessed to be appropriate. The Group utilises credit facilities provided by its parent, Fujitsu Limited, in line with its group-wide Treasury and Cash Management policy operated through its European financial services subsidiary, Fujitsu EMEA PLC (FEP). This is the primary source of liquidity for the Group, in addition to its own consolidated cash resources, and enables it to meet its financial obligations as they fall due. Fujitsu Limited has expressed its intention to continue to provide these financial facilities to the Group through a formal Letter of Support.

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 Group'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 Group's auditor is aware of that information.

Directors' Report continued

Statement of Directors' Responsibilities in Respect of the Annual Report, the Strategic Report, the Directors' Report and the Financial Statements

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the Directors are required to:

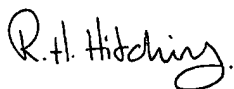
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, and;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

Auditor

Ernst and Young LLP have expressed their willingness to be reappointed as auditor. A resolution to reappoint them and a resolution authorising the Directors to confirm their remuneration will be proposed at the annual general meeting.

The Director's Report was approved by the Board on 14th December 2022 and signed on its behalf by:



Rachel Hitching

Company Secretary

Lovelace Road,

Bracknell, Berkshire, RG12 8SN

Independent Auditor's Report to the Members of Fujitsu Services Limited

Opinion

We have audited the financial statements of Fujitsu Services Limited ('the parent company') and its subsidiaries (the 'group') for the period ended 31 March 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement, and the related notes 1 to 33, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting was underpinned by an unconditional letter of support from the ultimate parent company, Fujitsu Limited.

Independent Auditor's Report to the Members of Fujitsu Services Limited

In evaluating the legitimacy of the letter of support, we:

- Obtained an understanding of management's basis for the use of the going concern basis of accounting;
- Obtained management's going concern assessment and forecast cashflows for the wider Fujitsu Limited group, covering the period of the assessment from the date of approval of the financial statements to 31 December 2023;
- Reviewed the borrowing facilities available to the Fujitsu Limited group to assess their continued availability through the going concern period;
- Critically evaluated management's forecasts for the Fujitsu Limited group. We benchmarked base assumptions to historical actuals as well as obtaining evidence to confirm key assumptions in the forecast;
- Evaluated management's reverse stress test and concluded that this covered the worst case scenario assumptions; and
- Considered whether management's disclosures in financial statements on the going concern assessment are appropriate.

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

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

Other information

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

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

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

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Fujitsu Services Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Independent Auditor's Report to the Members of Fujitsu Services Limited

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the parent company and group and determined that the most significant are those that relate to the reporting framework (IFRS and the Companies Act 2006) and the relevant tax compliance regulations in the United Kingdom.
- We understood how Fujitsu Services Limited is complying with these frameworks by making enquiries of management, legal counsel and those charged with governance. We corroborated our enquiries through our review of Board minutes.
- We assessed the susceptibility of the parent company and group's financial statements to material misstatement, including how fraud might occur through discussion with management across various parts of the business to understand where they considered there was susceptibility to fraud. We considered the controls that the parent company and group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those controls. Where this risk was higher, which we determined to be within revenue recognition, we performed incremental audit procedures to address the identified fraud risk.
- These procedures included using data analytics to identify and test manual journals, detailed testing around the year end to obtain assurance over appropriateness of cut off of product revenue, and detailed margin analytics in conjunction with the audit of significant contract arrangements to test the appropriateness of revenue recognition across service revenue, including completeness of onerous loss provisions.

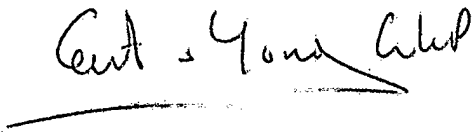
Independent Auditor's Report to the Members of Fujitsu Services Limited

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved a review of board minutes to identify any noncompliance with laws and regulations, enquiries of legal counsel, assessment of financial statement disclosures to ensure compliance with relevant standards, the involvement of tax specialists to assess compliance with tax regulations and enquiries of management and those charged with governance.

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

Use of our report

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



Karl Havers (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date 16th December 2022

Consolidated Statement of Profit or Loss

for the year ended 31 March 2022

	Note	2022 £m	2021 £m
Revenue	4	<u>1,296.2</u>	<u>1,287.8</u>
Operating profit before rationalisation		28.4	67.0
Rationalisation expenditure		<u>(2.0)</u>	<u>(15.8)</u>
Operating profit		26.4	51.2
Income from other Investments	7	<u>0.2</u>	<u>0.2</u>
Profit before financing costs and		26.6	51.4
Finance income		-	0.5
Finance expense		<u>(4.5)</u>	<u>(5.4)</u>
Net finance expense	8	<u>(4.5)</u>	<u>(4.9)</u>
Profit before taxation		22.1	46.5
Income tax (charge)/credit	9	<u>0.3</u>	<u>(24.4)</u>
Profit/(loss) for the year		<u>22.4</u>	<u>22.1</u>
Attributable to:			
Equity holder of the parent		<u>22.4</u>	<u>22.1</u>
Profit/(loss) for the year		<u>22.4</u>	<u>22.1</u>

The Notes on pages 43 to 120 form part of these financial statements.

Consolidated Statement of Comprehensive Income/(Expense)

for the year ended 31 March 2022

	2022 £m	2021 £m
Profit/(loss) for the year	22.4	22.1
Other comprehensive (expense)/income		
Foreign currency translation differences	0.7	(2.7)
Remeasurement of net defined benefit pension asset	32.5	(230.4)
Related deferred tax charge	(24.4)	44.0
Share-based payments	(0.1)	0.5
Other comprehensive (expense)/income for the year	8.7	(188.6)
Total comprehensive (expense)/income for the year	31.1	(166.5)
Attributable to:		
Equity holder of the parent	31.1	(166.5)
Total comprehensive (expense)/income for the year	31.1	(166.5)

None of above-mentioned Other Comprehensive (expense)/Income components are to be reclassified to profit or loss.

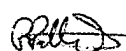
The Notes on pages 43 to 120 form part of these financial statements.

Statements of Financial Position

as at 31 March 2022

	Notes	2022 Group £m	2021 Group £m	2022 Company £m	2021 Company £m
Assets					
Intangible assets	13	230.5	199.2	170.8	139.9
Property, plant and equipment	14	151.0	188.6	149.0	185.7
Investments	15	12.2	12.0	22.9	22.7
Deferred tax assets	16	-	-	-	-
Net retirement benefit asset	28	728.9	645.5	697.9	629.4
Other receivables	18	5.1	10.5	4.7	10.1
Total non-current assets		1,127.7	1,055.8	1,045.3	987.8
Inventories	17	47.9	42.9	41.7	39.7
Trade and other receivables	18	385.1	345.9	390.9	363.4
Income tax recoverable		3.4	0.7	1.8	-
Cash and cash equivalents	19	13.7	78.0	13.3	27.1
Total current assets		450.1	467.5	447.7	430.2
Total assets		1,577.8	1,523.3	1,493.0	1,418.0
Liabilities					
Interest-bearing loans and borrowings	20	84.6	105.8	83.5	103.9
Provisions	25	17.1	9.6	14.1	9.1
Deferred tax liabilities	16	64.9	39.2	66.5	39.2
Other liabilities	22	5.0	4.9	5.0	4.9
Total non-current liabilities		171.6	120.3	169.1	117.9
Interest-bearing loans and borrowings	20	20.8	29.8	20.0	29.1
Trade and other payables	21	434.9	406.1	446.3	388.0
Income tax payable		-	-	-	0.3
Provisions	25	31.9	39.7	24.1	39.7
Total current liabilities		487.6	514.8	490.4	496.3
Total liabilities		659.2	635.1	659.5	614.2
Equity					
Called up share capital	26	1,204.5	1,204.5	1,204.5	1,204.5
Share premium account		0.9	1.0	0.9	1.0
Exchange translation reserve		0.9	0.9	1.5	0.7
Retained earnings		(287.7)	(318.2)	(373.4)	(402.4)
Total equity		918.6	888.2	833.5	803.8
Total equity and liabilities		1,577.8	1,523.3	1,493.0	1,418.0

The financial statements were approved by the board on 14th December 2022 and signed on its behalf by



Paul Patterson
Director

The Notes on pages 43 to 120 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2022

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Total equity £m
Group					
At 1 April 2020	1,204.5	0.5	3.6	(153.9)	1,054.7
Comprehensive income for the year					
Profit for the year	-	-	-	22.1	22.1
Other comprehensive income					
Remeasurement of net defined benefit	-	-	-	(230.4)	(230.4)
Related deferred tax effects	-	-	-	44.0	44.0
Foreign currency translation differences	-	-	(2.7)	-	(2.7)
Share-based payment	-	0.5	-	-	0.5
Total other comprehensive expense	-	0.5	(2.7)	(186.4)	(188.6)
Total comprehensive expense for the year	-	0.5	(2.7)	(164.3)	(166.5)
At 31 March 2021	1,204.5	1.0	0.9	(318.2)	888.2
At 1 April 2021	1,204.5	1.0	0.9	(318.2)	888.2
Comprehensive income for the year					
Profit for the year	-	-	-	22.4	22.4
Other comprehensive expense					
Remeasurement of net defined benefit pension asset	-	-	-	32.5	32.5
Related deferred tax effects	-	-	-	(24.4)	(24.4)
Foreign currency translation differences	-	-	-	-	0.0
Share-based payment	-	(0.1)	-	-	(0.1)
Total other comprehensive expense	-	(0.1)	0.0	8.1	8.0
Total comprehensive income for the year	-	(0.1)	0.0	30.5	30.4
At 31 March 2022	1,204.5	0.9	0.9	(287.7)	918.6

The Notes on pages 43 to 120 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 March 2022

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Total equity £m
Company					
At 1 April 2020	1,204.5	0.5	2.5	(246.1)	961.4
Comprehensive income for the year					
Profit for the year	-	-	-	15.2	15.2
Other comprehensive income					
Remeasurement of net defined benefit pension	-	-	-	(211.4)	(211.4)
Related deferred tax effects	-	-	-	44.0	44.0
Foreign currency translation differences	-	-	(1.8)	-	(1.8)
Share-based payment	-	0.5	-	-	0.5
Deemed capital distribution (note 2)	-	-	-	(4.1)	(4.1)
Total other comprehensive expense	-	0.5	(1.8)	(171.5)	(172.8)
Total comprehensive expense for the year	-	0.5	(1.8)	(156.3)	(157.6)
At 31 March 2021	1,204.5	1.0	0.7	(402.4)	803.8
At 1 April 2021	1,204.5	1.0	0.7	(402.4)	803.8
Comprehensive income for the year					
Profit for the year	-	-	-	33.7	33.7
Other comprehensive expense					
Remeasurement of net defined benefit pension	-	-	-	19.7	19.7
Related deferred tax effects	-	-	-	(24.4)	(24.4)
Foreign currency translation differences	-	-	0.8	-	0.8
Share-based payment	-	(0.1)	-	-	(0.1)
Total other comprehensive expense	-	(0.1)	0.8	(4.7)	(4.1)
Total comprehensive expense for the year	-	(0.1)	0.8	29.0	29.7
At 31 March 2022	1,204.5	0.9	1.5	(373.4)	833.5

The Notes on pages 43 to 120 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2022

		2022		2021
	£m	£m	£m	£m
Operating activities				
Profit before taxation		22.1		46.5
Adjustments to reconcile profit before tax to net cash flows:				
Net finance expense	4.5		4.9	
Equity-settled share-based incentive	1.0		0.5	
Depreciation, amortisation and impairment	63.2		58.0	
Income from other investments	(0.2)		(0.2)	
(Profit)/loss on disposal of non-current assets	(0.2)		0.4	
Change in fair value of investments	(0.2)		(0.9)	
Net defined benefit pension credit	(6.6)		(12.9)	
		61.5		49.8
Working capital adjustments:				
(Increase)/decrease in inventories	(5.0)		7.3	
Decrease in trade and other receivables	45.3		23.1	
(Increase)/decrease in finance lease receivables	(0.6)		0.7	
Decrease in trade and other payables	(21.1)		(36.0)	
Increase/(decrease) in provisions	(0.3)		7.8	
		18.3		2.9
Defined benefit pension contributions	(44.3)		(44.1)	
Equity-settled share-based incentive payments	(1.1)		-	
		(45.4)		(44.1)
Interest paid	(4.5)		(5.4)	
Interest received from finance leases	-		-	
Income taxes paid	(1.1)		(3.4)	
		(5.6)		(8.8)
Net cash flows from operating activities		50.9		46.3
Investing activities				
Purchase of property, plant and equipment	(6.1)		(16.7)	
Purchase of intangible assets	(44.3)		(22.6)	
Interest received	-		0.5	
Dividends received from other investments	0.2		0.2	
Net cash flows used in investing activities		(50.2)		(38.6)

The Notes on pages 43 to 120 form part of these financial statements.

Consolidated Statement of Cash Flows continued

for the year ended 31 March 2022

		2022		2021
	£m	£m	£m	£m
Financing activities				
Payment of lease obligations	(31.4)		(33.1)	
Borrowings from fellow group undertaking	34.7		9.6	
Borrowings (paid)/received	<u>(4.7)</u>		<u>(2.3)</u>	
Net cash flows from/ (used in) financing activities		(1.4)		(25.8)
Net foreign exchange difference		<u>(0.6)</u>		<u>(1.6)</u>
Net decrease in cash and cash equivalents		(1.3)		(19.7)
Cash and cash equivalents at 1 April		<u>78.0</u>		<u>97.7</u>
Cash and cash equivalents at 31 March		<u>76.7</u>		<u>78.0</u>

The Notes on pages 43 to 120 form part of these financial statements.

Company Statement of Cash Flows

for the year ended 31 March 2022

		2022		2021
	£m	£m	£m	£m
Operating activities				
Profit before taxation		35.0		42.5
Adjustments to reconcile profit before tax to net cash flows:				
Net finance expense	4.4		4.8	
Equity-settled share-based payments	1.0		0.5	
Depreciation, amortisation and impairment	61.4		57.0	
Impairment of investments	1.2		1.4	
Loss on disposal of non-current assets	0.1		0.8	
Income from other investments	(0.2)		(0.2)	
Net defined benefit pension credit	(6.6)		(12.3)	
Change in fair value of investments	(0.2)		(0.9)	
		61.1		51.1
Working capital adjustments:				
(Increase)/decrease in inventories	(2.0)		6.7	
Decrease in trade and other receivables	45.9		21.2	
(Increase)/decrease in finance lease receivables	(0.6)		0.6	
Increase/(decrease) in trade and other payables	19.4		(34.7)	
Increase/(decrease) in provisions	(10.6)		7.9	
		52.1		1.7
Defined benefit pension contributions paid	(42.3)		(42.1)	
Equity-settled share-based incentive payments	(1.1)		-	
		(43.4)		(42.1)
Interest paid	(4.5)		(5.3)	
Interest received	-		0.5	
Income taxes paid	(0.5)		(2.7)	
		(5.0)		(7.5)
Net cash flows from operating activities		99.8		45.7

The Notes on pages 43 to 120 form part of these financial statements.

Company Statement of Cash Flows continued

for the year ended 31 March 2022

		2022		2021
	£m	£m	£m	£m
Investing activities				
Purchase of property, plant and equipment	(5.6)		(16.9)	
Purchase of intangible assets	(44.3)		(21.9)	
Business acquisition	-		(1.4)	
Recapitalisation of subsidiaries	(1.2)		(1.4)	
Dividends received from other investments	0.2		0.2	
Net cash flows used in investing activities		(50.9)		(40.9)
Financing activities				
Payment of lease obligations	(30.5)		(32.1)	
Borrowings from fellow group undertaking	34.7		9.6	
Borrowings (paid)/received	(4.7)		(2.3)	
Net cash from/ (used in) financing activities		(0.5)		(24.8)
Net foreign exchange difference		0.8		(2.2)
Net decrease in cash and cash equivalents		49.2		(22.7)
Cash and cash equivalents at 1 April		27.1		49.8
Cash and cash equivalents at 31 March		76.3		27.1

The Notes on pages 43 to 120 form part of these financial statements.

Notes to the Financial Statements

1 Accounting Policies

Reporting entity

The Company is incorporated in England and Wales. The consolidated Financial Statements of the Group for the year ended 31 March 2022 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Company Financial Statements present information about the Company only, as a separate entity. The Group is primarily involved in the delivery of IT products and services, offering a full portfolio of technology products and solutions to its customers.

The Financial Statements were authorised for issue by the Directors on 14th December 2022.

Statement of Compliance

Both the Company Financial Statements and the Group Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRS"). On publishing the Company Financial Statements here together with the Group Financial Statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual Statement of Profit or Loss and related notes that form a part of these approved Financial Statements.

Basis of Preparation

The Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value; derivative financial instruments, financial instruments held for trading, and financial instruments classified as available for sale. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

The Financial Statements are also prepared on a going concern basis, which the Directors have assessed to be appropriate. The Group utilises credit facilities provided by its ultimate parent company, Fujitsu Limited, in line with its group-wide Treasury and Cash Management policy operated through its European financial services subsidiary, Fujitsu EMEA PLC (FEP). This is the primary source of liquidity for the Group, in addition to its own consolidated cash resources, and enables it to meet its financial obligations as they fall due.

The Group regularly prepares financial forecasts of profitability and cash flows, in line with its mid-term business plans and strategy. Fujitsu Europe Group Treasury work closely with FEP to plan and monitor cashflow requirements throughout the year and borrowing facilities are reviewed and agreed semi-annually. These facilities provide cash resources to meet short-term cash flow volatility, support the working capital cycle, and to ensure adequate funding is available for pension scheme funding, approved capital investment and restructuring projects. In addition, Fujitsu Limited has also confirmed to the Board of Fujitsu Services Holdings PLC its intention to continue to provide these financial facilities to the Fujitsu Services Group in a Letter of Support dated 26 September 2022.

Notes to the Financial Statements continued

1 Accounting Policies continued

Basis of Preparation continued

As part of Fujitsu's Global Business Management activities, the financial performance of the Group is regularly monitored against its short-term goals and longer-term strategic objectives. The borrowing facilities provided by Fujitsu Limited will ensure that the Group is able to adapt to any adverse effects and ensure liquidity is maintained. In their assessment of whether the going concern basis is appropriate for the preparation of financial statements for the Group and Company, the Directors have taken into account all available forward-looking information and covering the period up to and including 31 December 2023 and have concluded that sufficient funds will be available to meet liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. Further information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position is set out within the Strategic and Directors' Reports on pages 4 to 28. In addition, Note 24 to the Financial Statements includes the Group's objectives, policies and processes for financial risk management.

Use of judgements and estimates

The preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other applicable factors, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates and any revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following accounting policy statements:

- **Revenue recognition;** whether revenue should be recognized over time or at a point in time and when performance obligations are satisfied;
- **Leasing;** whether an arrangement contains a lease, lease classification and lease term.

Notes to the Financial Statements continued

1 Accounting Policies continued

Basis of Preparation continued

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as at 31 March 2022 that could also result in a material adjustment to the carrying amount of assets and liabilities in the next financial year is also addressed regarding:

- **Impairment of financial assets:** Measurement of allowances for trade receivables and contract assets; key assumptions about recoverability and estimate of expected credit losses;
- **Impairment of non-financial assets:** including goodwill; key assumptions underlying recoverable amounts;
- **Measurement of defined benefit obligations:** key actuarial assumptions;
- **Recognition and measurement of provisions and contingencies:** key assumptions about the likelihood and magnitude of an outflow of resources;
- **Recognition of deferred tax assets:** availability of future taxable profit against which tax deductible temporary differences and tax losses carried-forward can be utilized;

Estimating the incremental borrowing rate: when the Group cannot readily determine the interest implicit in the lease, it uses its incremental borrowing rate to measure lease liabilities.

Use of judgements and estimates continued

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated Financial Statements. Details of significant changes to the accounting policies applied in these financial statements are also presented. Accounting policies have been applied consistently by Group entities.

During the year the IASB issued several other amendments, changes and improvements to IFRS which have had no material impact on the Group's financial results or financial position.

Basis of Consolidation

The consolidated Statement of Profit or Loss and Statement of Financial Position include the Financial Statements of the Company and its subsidiary undertakings, made up to 31 March 2022 (Group's share of the net assets and results of associates also included in the comparative period).

Subsidiaries are entities controlled by the Group. Control exists when the Group has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The Financial Statements of subsidiaries are included in the Financial Statements from the date that control commences until the date that control ceases.

Notes to the Financial Statements continued

1 Accounting Policies continued

Basis of Consolidation continued

Profits and losses of subsidiary undertakings are included from the date that control commences until the date that control ceases.

Where disposals of entities or businesses are made to wholly owned subsidiaries of Fujitsu Limited, the Company and the Group treat such disposals as a shareholder transaction. Any difference between the consideration received and the book value of the net assets disposed is taken directly to equity.

Intragroup balances and any realised gains or losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated Financial Statements.

Revenue

Revenue is measured based on the consideration specified in the contract with a customer, excluding amounts collected on behalf of third parties. The Group recognizes revenue when a performance obligation is satisfied by transferring control of a promised good or service to a customer. Transfer is complete when the customer obtains control of that product or service. Revenue recognition depicts the pattern of transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Nature of goods and services

The Group realizes revenue from the sale of IT products and services, including delivery of a wide range of managed IT services, application services and technology solutions. It sells both Fujitsu-branded and third-party purchased products and product-related services, as well as the sale of licenses for proprietary and third-party software solutions.

Revenue from customer contracts with multiple deliverables

IT services contracts are typically multi-element contracts which contain a package of goods and services to be delivered over a number of years. Each element is considered separately for accounting purposes to identify the assets (goods or services) that will be transferred to the customer, either over time or at a point in time. Contracts will typically contain one or more different recurring service delivered over the duration of the contract term, such as managed IT service, product support and maintenance; or services which do not recur (non-recurring services) such as IT transformation services or development projects.

Contracts are analysed into the distinct promises made to the customer for the transfer of goods and services. Each distinct promise, or series of promises, is identified as a separate performance obligation to which a portion of the total transaction price is allocated for revenue recognition purposes and recognized as or when the performance obligation(s) is satisfied.

Notes to the Financial Statements continued

1 Accounting Policies continued

Revenue continued

The Group has a wide range of service offerings in its Services portfolio, from consultancy and design through to service transformation and delivery. These services are capable of being sold separately but are often bundled together to meet the needs of customers addressing the IT requirements of their organization, creating contracts containing a number of performance obligations, comprising distinct promises for goods and/or services.

The total transaction price measured under the contract must be allocated to each performance obligation and should be with reference to relative stand-alone selling prices. For products and product-related services prices these are based on specific price lists, reference prices or agreed terms, adjusted for price or volume discounts as appropriate; and product-related services, such as extended warranty service, based on separate list prices adjusted for any specific service level requirements. For other types of IT services under the scope of the contract, stand-alone selling prices are not always directly observable. Contracts are negotiated for specific customer needs, based on a bundle of service requirements and negotiated discounts, reflecting the overall scale, commitment and term of the contract. The final negotiated price is therefore allocated using the estimated costs plus margin approach in order to reasonably allocate the agreed transaction price to the separate performance obligations.

Services Business

The Group's services business is primarily delivered through its Technology Services business which provides a wide range of IT service offerings to customers across its principal geographical markets. The Group's portfolio of service offerings covers extensive technology services, including datacentre, managed network, service desk, multi-cloud and workplace services, consulting and professional services, program and project services, enterprise application services and enterprise and cyber security. The Group's Enterprise Platform Services business delivers mainframe technology and services to customers, mainly through its proprietary VME offering which includes licensed IP and a range of related services.

For services contracted on a time and materials basis, performance is measured and revenue recognised on the basis of time and materials consumed at the agreed price. Services which require completion of specific contractual deliverables before an asset is transferred to the customer and a right to receive payment is established, for example during a Transformation program, are measured with reference to completion of each specific milestone(s) to measure the progress towards completion. Costs incurred for such activities which have not yet progressed to creation of an asset that the customer controls, are deferred and recognised as a contract asset and classified into Inventories as contract work-in-progress.

Notes to the Financial Statements continued

1 Accounting Policies continued

Revenue continued

Only recoverable costs incurred are deferred and contract work-in-progress is subject to regular review for indication of impairment should progress towards completion be impacted by delays or other delivery issues.

For services delivered on an ongoing basis over a contract term, progress is measured based on the services provided in each period, either on an output or volumetric basis or, for availability-based services, measured by reference to service periods. Revenue is recognised as the services are rendered and are billed or billable.

Price adjustments relating to specific periods during a services contract term are recognised in the period to which they relate, such as periodic indexation or a change in service price for different types of services delivered and consumed by the customer, for example once the service is transformed or enhanced.

Where changes occur in the initial estimates of revenue, measures of progress and/or estimates of contract costs, the cumulative impact arising from the change(s) in estimate(s) is recognized in profit or loss in the period in which the change is identified and reasonable estimates can be made.

Discounts agreed at contract inception are included in the transaction price allocated to the distinct service delivery obligations. Price adjustments for service credits relating to service delivery performance, or fulfilment of other conditions, are recognised when the uncertainty is resolved and the discount or adjustment becomes certain.

Software licenses

The Group's primary mainframe offering is VME, based on Fujitsu proprietary software available on both legacy and modern VME environments which now allows customers to move to an application-as-a service (VAaaS) alternative. The Group sells both term licenses to customers still using legacy VME to run their mainframe operating systems and provides related services to support the running of the system; and a VAaaS offering through which customers can access the modern VME environment on an as-a-service basis, as an integrated software and services solution.

The Group assesses the nature of the performance obligation for the sale of software licenses to identify if the license transfers a right to use the software or a right to access the software. If a right of use is transferred the license revenue is recognised at a point in time as the customer acquires a right to use the software as it exists at the point of sale, with no further performance obligations of the licensor in connection with the functionality of the software.

Notes to the Financial Statements continued

1 Accounting Policies continued

Revenue continued

If this is not the case and the license requires, or the customer reasonably expects, that the Group will undertake activities during the license period that affects the intellectual property to which the customer has usage rights; those activities don't transfer a separate good or service to the customer as they occur; and, the customer is directly exposed, either positively or negatively, to the performance of those activities then the license represents a right to access the software over the term of the license and the license revenue is recognised over time. Where rights to a software version-up during the license period are sold as part of the licensing and related services agreement, the software and services would be combined into a single performance obligation and recognised over the term of the license.

Upgrade rights might also be sold separately from the original license and, if considered to be a sufficiently distinct service from the transfer of the license, would represent a separate performance obligation to modify the software functionality in the future.

A term license for legacy VME mainframe software is considered to transfer a right-of-use to the customer and support and maintenance services also sold to the customer are sufficiently distinct from the software and its functionality at the point of sale. License revenue is recognised at a point in time when a license agreement is concluded on a non-cancellable, fixed term and fixed price basis.

Where availability of licensed software is provided over a cloud-based service (VAaaS), access to the software by the customer is dependent on provision of the cloud service. The software license is not considered to be sufficiently distinct from the related service and both are combined into a single performance obligation and recognised over time as the hosting service is provided.

Supply of assets

IT contracts often depend on the use of specific assets for delivery of the promised services. Depending on an assessment of the terms and features of the contract, if the customer acquires control over those assets in exchange for an obligation to pay for their use, the contract will contain a lease. Control over specific IT assets, provided to a customer for their sole use, can be transferred by providing assets into the customer's possession (e.g. personal computers), or contractually through the rights set out in the contract (e.g. availability of a dedicated data-centre environment).

Where a lease is identified in a customer contract it is first separated and a portion of the contract revenue allocated to the lease and revenue recognised in accordance with the provisions of IFRS 16 Leases as either a finance or operating lease. A lease that transfers the significant risks and rewards of ownership of the assets is classified as a finance lease and recognised as an asset sale with a related financing obligation. If a finance lease is separated from the customer contract, revenue for supply of the lease assets will be recognised at inception of the lease when the assets are made available for the customer's use.

Notes to the Financial Statements continued

1 Accounting Policies continued

Revenue continued

Product Business

The Group's Product business sells Fujitsu-branded technology products, solutions and product-related services, as well as third-party products, and is headquartered in Germany and part of the Fujitsu Technology Solutions Group ("Fujitsu Technology Solutions (Holding) B.V." or "FTSHBV" is a fellow subsidiary undertaking of Fujitsu Limited), and is responsible for product sales and distribution across the EMEA region and into all of the Fujitsu Services Group's primary geographical markets and customer sectors. Services-oriented companies in the Groupwork closely with the Product business to drive product-related business which may be stand-alone or part of an integrated product and services offering to a customer, creating demand for technology products driven by customers looking to outsource, transform or digitalize their IT services and infrastructure.

Products and product-related services

For hardware sales requiring significant services, such as installation of servers or network products, before customer acceptance, revenue recognition is delayed until the services are completed.

Goods are not sold with a right of return. Price discounts are recognized as a deduction from revenue if certain at point of sale; further discounts are not recognised until the uncertainty about any further variation in price is resolved.

Product sales also include third-party products, comprising hardware, software, and software-related services. These are also recognised as product sales at a point in time when the customer acquires control of the product and the rights transferred, and Fujitsu has no further performance obligations associated with use of the licensed software or delivery of services provided directly by the software vendor.

Product support and maintenance services are recognised over the period of the service delivery as the customer receives the benefit of the service over time. Extended warranty services, purchased in addition to the manufacturer's standard warranty, are recognised over the extended warranty period.

Revenue from agency transactions

The Group does not generally act as a procurement agent for customers and arranges for the supply of goods and services and creation of commercial transactions as principal.

Notes to the Financial Statements continued

1 Accounting Policies continued

Revenue continued

To determine whether or not the Group has control over goods and services before their transfer to the customer, the following aspects are considered: a) whether the Group is primarily responsible for fulfilling the promise to provide the specified good or service; b) whether the Group has inventory risk before the specified good or service is transferred to a customer or after transfer of control to the customer; and c) whether the Group has discretion in establishing the price at which the goods or services are sold to the customer. For specific supply arrangements where the Group is considered to have arranged the procurement as the customer's agent, and not as principal, revenue is measured based on the commission earned only.

Revenue from asset leasing

Other than leasing arrangements identified in services contracts with customers which contain the terms of a lease, as described above, revenue can also arise from explicit leasing arrangements for IT assets. Where these are classified as operating leases, rental income is recognized as revenue over the lease term. Leases which have the features of an economic sale of the leased assets are classified as finance leases and revenue equal to the fair value of the asset or present value of the minimum lease payments, if lower, is recognized and a portion of lease revenue allocated to financing income over the term of the lease in a pattern that reflects the net investment in the lease over time.

Other contract-related matters

Contract costs

▪ Costs to fulfil a contract

Costs incurred during the Transition phase of an IT services contract, such as set-up, knowledge transfer, service-readiness, planning, etc., are not considered to represent a distinct promise to deliver an asset to the customer but are necessarily performed in the fulfilment of the contract to deliver the promised goods and services in the future. These costs are capitalized as a contract asset, classified in Inventories, and amortized to profit or loss as a contract expense over the same period when revenue is recognized for delivery of the services to which the fulfilment costs relate.

▪ Costs to acquire a contract

The Group does not generally incur incremental costs to acquire a contract which occur only in the event the contract is won. Bid costs incurred in the process required to secure a contract are materially the same if the contract is won or lost.

Notes to the Financial Statements continued

1 Accounting Policies continued

Revenue continued

Sales commissions and incentive schemes across the Group, linked to new sales orders for contracts of more than one year, are typically paid on the basis of achievement for targets for sales order value and not for specific contract wins. Costs are usually expensed as incurred and not capitalized as a contract asset.

▪ Significant financing component

The measurement of revenue is not adjusted if the period of time between the time of transfer of the good or service to the customer and the time of the customer's payment is expected to be less than one year at contract inception, or if the financing component is not considered material.

Foreign Currencies

Transactions in foreign currencies are translated 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 translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the Balance Sheet date. The revenues and expenses of foreign operations are translated at the average exchange rate for the period where this approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising on consolidation from the retranslation of the net assets of overseas operations and of related qualifying hedges are taken to the foreign currency translation reserve and are released into the Statement of Profit or Loss on disposal.

Income Tax

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

Current tax is the expected tax payable 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.

Notes to the Financial Statements continued

1 Accounting Policies continued

Income Tax continued

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.

Property, Plant and Equipment

Items of owned property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses.

Cost consists of all those elements which are directly attributable to bringing the asset into working condition for its intended use. Where there has been an indication of impairment in value such that the recoverable amount of an asset falls below its net book value, provision is made for such impairment. Wherever possible, individual assets are tested for impairment. However, impairment can often be tested only for groups of assets because the Cash Flows upon which the calculation is based do not arise from the use of a single asset. In these cases, impairment is measured for the smallest group of assets (the cash generating unit) that produces a largely independent income stream, subject to constraints of practicality and materiality.

Depreciation

The cost of property, plant and equipment is charged to the Statement of Profit or Loss on a straight-line basis over the assets estimated useful economic life, taking into account their estimated residual value. The principal annual rates of depreciation are:

Freehold land	Nil
Freehold buildings	2½%
Leasehold land and buildings	2½% *
Plant and machinery	25% - 33%
Equipment on rental to customers	25%
Fixtures, fittings and equipment	15%

*Or to first break in the lease if sooner.

Notes to the Financial Statements continued

1 Accounting Policies continued

Intangibles

Intangible Assets – Goodwill

From 1 April 2010, the Group has applied IFRS 3 Business Combinations (revised 2008). Business combinations (except those of wholly owned subsidiaries of Fujitsu Limited) are accounted for by applying the acquisition method. Under this method, goodwill is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. Subsequent adjustments to the fair values of net assets acquired can be made within 12 months of the acquisition date where original fair values were determined provisionally. These adjustments are accounted for from the date of acquisition. Acquisitions of non-controlling interests are accounted for as transactions with owners and therefore no goodwill is recognised as a result of such transactions. Transaction costs that the Group incurs in connection with a business combination, such as legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

All business combinations (except those of wholly owned subsidiaries of Fujitsu Limited) that occurred between 1 April 2004 and 31 March 2010 have been accounted for by applying the purchase method in accordance with IFRS 3 'Business Combinations (2004)'. Goodwill on these combinations represents the difference between the cost of the acquisition and the fair value of the identifiable net assets acquired and did not include the value of the non-controlling interest. Transaction costs that the Group incurred in connection with a business combination, such as legal fees, due diligence fees and other professional and consulting fees, are included in the cost of acquisition.

For business combinations prior to 1 April 2004, goodwill is included at its deemed cost, which represents the amount recorded under UK GAAP at that time less amortisation up to 31 March 2004. The classification and accounting treatment of business combinations occurring prior to 1 January 2004, the date of transition to IFRS, has not been reconsidered as permitted under IFRS.

Goodwill is stated at its recoverable amount being cost less any accumulated impairment losses and is allocated to cash-generating units.

Notes to the Financial Statements continued

1 Accounting Policies continued

Intangibles continued

Where acquisitions involve wholly owned subsidiaries of Fujitsu Limited, the Company and the Group take advantage of the exemption in IFRS 3 relating to entities or businesses under common control, not to apply IFRS 3 purchase accounting. Adjustments are made to align the accounting policies of the business acquired with those of the Group. Any difference between the consideration paid and the book value of net assets acquired, after adjustments to align accounting policies, is taken directly to equity.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but tested for impairment annually at the balance sheet date.

Negative goodwill arising on an acquisition is recognised directly in the Statement of Profit or Loss.

Intangible Assets - Other

Other intangible assets that are separately acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see below). Other intangible assets acquired through a business combination, other than those which are treated as common control transactions, are recognised at fair value at the date of acquisition less accumulated amortisation and impairment losses (see below) from the date of acquisition. Amortisation is charged to the Statement of Profit or Loss on a straight-line basis over the useful economic lives of the intangible assets.

The estimated useful economic lives are as follows:

Purchased software	3 to 4 years
Developed software (generic)	3 to 4 years
Developed software (contract specific)	Earlier of life of contract or time to next software issue.

Development Expenditure

The costs of producing software products are capitalised as intangible assets once a detailed programme design or working model has been established and commercial and financial viability has been demonstrated. These assets are stated at cost less accumulated amortisation and impairment losses. These assets are amortised on a straight-line basis over their estimated lives, which are usually either between three and four years, or the life of the contract to which the development expenditure relates. Costs incurred in establishing the design or working model and the costs of maintaining existing products are written off as incurred.

All other development expenditure is written off in the accounting period in which it is incurred.

Notes to the Financial Statements continued

1 Accounting Policies continued

Impairment - Non-financial assets continued

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss.

Impairment losses recognised in respect of cash generating units are allocated first against the carrying value of any goodwill allocated to that unit, and then against the carrying values of other assets in the unit, on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of an asset is the greater of its carrying value and value in use. In assessing value in use, the estimated future Cashflows are discounted to their present value. For assets that do not generate largely independent cashflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cashflows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Notes to the Financial Statements continued

1 Accounting Policies continued

Share-based payments

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of the equity-settled transactions is determined by the fair value at the date when the grant is made.

The cost is recognised as an employee expense with the corresponding increase in equity, over the period in which the service and the performance conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Inventories

Inventories are stated at the lower of cost and net realisable value, allowance having been made for obsolete or slow-moving items. Cost of inventories includes the appropriate portion of operating overheads and is based on the first-in-first-out principle.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank borrowings that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows only.

Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Profit or Loss over the period of the borrowings on an effective interest basis.

Net Financing Costs

Net financing costs comprise interest payable on loans and finance leases, interest received on funds invested and dividend income recognised in the Statement of Profit or Loss. Interest income and interest payable is recognised in the Statement of Profit or Loss as it accrues, using the effective interest rate method. Dividend income is recognised in the Statement of Profit or Loss on the date the Group's right to receive payment is established.

Notes to the Financial Statements continued

1 Accounting Policies continued

Financial Instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

Unconditional receivables and payables are recognised as assets or liabilities when the entity becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash. However, recognition of financial assets to be acquired and financial liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services, such as trade receivables and trade payables, is usually delayed until at least one of the parties has performed under the agreement and the ordered goods or services have been shipped, delivered or rendered.

A forward contract that is within the scope of IFRS 9, such as a forward foreign exchange contract, is recognised as an asset or a liability on the commitment date when the fair value of the right and obligation are usually equal and the net fair value of the forward on initial recognition is zero. If the net fair value of the right and obligation is not zero, the contract is recognized as an asset or liability.

Except for trade receivables without a significant financing component, a financial asset or a financial liability is initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition. A trade receivable without a significant financing component is initially measured at the transaction price.

The Group 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 substantially all of the risk and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Group 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 recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

Notes to the Financial Statements continued

1 Accounting Policies continued

Financial Instruments continued

Allowance for Expected Credit Losses

The Group measures loss allowances for financial assets at an amount equal to lifetime expected credit losses (ECLs). Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Credit-impaired financial assets

At each reporting date the Group assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Impairment of financial assets

The gross carrying amount of a financial asset is written down to its recoverable amount when the Group has no reasonable expectations of recovering all or part of that financial asset.

Derivative Financial Instruments and Hedging

Derivative financial instruments are recorded in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Profit or Loss unless the derivative qualifies, and has been formally designated as a hedging instrument, in accordance with the requirements for hedge accounting.

Certain derivative instruments provide effective economic hedges in line with the Group's risk management policies; however hedge accounting may not be formally adopted for these items. The decision to establish a hedge relationship and adopt hedge accounting is made on an individual basis considering the nature, value and timing of the underlying exposure and the potential impact of fair value changes of the hedging instrument which would otherwise be charged against income.

Leasing

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

Separating components of a contract

Contracts may contain both lease and non-lease components, such as maintenance services which are accounted for separately, applying the applicable Accounting Standard. Lease components are accounted for in accordance with the requirements of IFRS 16 'Leases'. Consideration is allocated to each component based on the relative stand-alone selling price that the lessor would charge for each component separately.

Notes to the Financial Statements continued

1 Accounting Policies continued

Leasing continued

Where this cannot be readily determined an approximate allocation of the total contract price is made.

Where Fujitsu is lessor, this information may be available from the contract pricing model.

Combination of contracts

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

Lease term

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

Group as a Lessee

The Group applies a single recognition and measurement approach for all leases. For new contracts where the right-of-use asset and lease liability are not considered to be material, the lease payments are recognised as an expense in the Statement of Profit or Loss on a straight-line basis over the lease term. Lease incentives received are also recognised in the Statement of Profit or Loss as a part of the total lease expense.

The Group includes the renewal period as part of the lease term for leasehold property leases that are within the notice period and renewal is considered highly likely. Otherwise, the lease term extension is recognised once the lease contract renewal is signed.

▪ Right-of-use assets

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

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

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

Notes to the Financial Statements continued

1 Accounting Policies continued

Leasing continued

▪ Lease liabilities

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

Lease payments also include the exercise price of a purchase option that is reasonably certain to be exercised and payment of any early termination penalty where the lease term assumes the option to terminate will be exercised. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Interest-bearing loans and borrowings.

Any adjustment of the lease liability is reflected as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset has already been reduced to zero, the remaining remeasurement is recognised in profit or loss.

Lease liabilities are presented in the Statement of Financial Position as part of interest-bearing loans and borrowings.

Lease Modification

If the lease is modified to terminate the right of use of one or more underlying assets i.e. reduce the numbers of floors in the building, or to shorten the contractual term, the Group remeasures the lease liability at the effective date of the modification using a revised discount rate. This is the rate implicit in the lease for the remainder of the lease term, or if not available, using the incremental borrowing rate. The amount of the right-of-use asset is decreased. Any gain or loss is recognised in profit or loss.

Notes to the Financial Statements continued

1 Accounting Policies continued

Leasing continued

Group as a lessor

Where products are supplied to customers under finance leases, revenue is recognised in line with the criteria set out in the revenue recognition policy for the supply of hardware and software and the costs of acquiring the assets recognised as cost of sales in the Statement of Profit or Loss. Finance lease receivables are recognised in the Statement of Financial Position at an amount equal to the present value of the minimum lease payments and any unguaranteed residual asset value (the net investment in the lease). Finance lease income is recognised in a manner that reflects a constant periodic rate of return on the investment in the lease.

Assets supplied to customers under operating leases are recognised in the Statement of Financial Position and presented in accordance with the nature of the asset. Lease rental income is credited to the Statement of Profit or Loss over the term of the lease. Depreciation on the assets is recognised as a cost of sales over the lease term in accordance with the normal depreciation policy for similar assets.

The costs of lease incentives offered, such as rent-free periods, are recognised as a reduction of rental income on a straight-line basis over the lease term.

A sublease is evaluated with reference to the right-of-use asset and classifies the transaction as either a finance or operating sublease. If the head lease is a short-term lease, the sublease is classified as an operating sublease. For a sublease that results in a finance lease, the remaining lease liability from the head lease and the lease receivable from the sublease will not be offset.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect is material provisions are discounted to present value.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Provisions are not recognised for future operating costs.

A provision for an onerous contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Notes to the Financial Statements continued

1 Accounting Policies continued

Employee Benefits - Pensions

The Group accounts for pensions and other employee benefits in accordance with IAS 19.

Defined Benefit plans

The Group's net benefit liabilities/assets in respect of defined benefit pension schemes are calculated for each scheme individually, by a professionally qualified actuary, by deducting the value of the plan's assets from its obligations.

Obligations to provide future benefit to employees earned through prior service are estimated and discounted to present value. Plan assets are measured at fair value. The cost of providing benefits under the defined benefit plans is determined by actuarial valuation, using the projected unit credit method.

Actuarial remeasurement of the net defined benefit liability or asset comprises (a) actuarial gains and losses, (b) the return on plan assets in excess of the amount included in net interest on the net defined benefit asset or liability, and (c) any change in the effect of the asset ceiling (where applicable), also excluding any amount included in net interest on the net defined benefit liability or asset; and is recognised immediately in the Statement of Financial Position with a corresponding entry in retained earnings through Other Comprehensive Income in the period in which it occurs. Remeasurement gains or losses are not reclassified to profit or loss in subsequent periods. Where the valuation results in a surplus, a net defined benefit asset will be recognised equal to the amount of the surplus provided the Group has control over the future economic benefits in the form of future refunds from plan assets or reductions in future contributions; otherwise recognition of the surplus is limited to the asset ceiling representing the amount of the surplus over which the Group has control.

The Group operates defined benefit pension plans in which other employers participate. The Group takes full account of all defined benefit assets and liabilities accrued in respect of participating businesses. Service costs attributable to participating employers are deducted from the total service cost to derive the Group service cost.

Notes to the Financial Statements continued

1 Accounting Policies continued

IFRSs not yet applied

The following IFRSs are not yet effective for the year ended 31 March 2022 and have not been applied by the Group in these Financial Statements. Adoption of these new Standards in the financial statements of future periods is not expected to have a material impact on the Group:

	Applicable for the year commencing on or after:
IFRS 9 Financial Instruments – Amendment (fees in the ‘10 per cent’ test for derecognition of financial liabilities)	1 January 2022
IAS 37 Provisions, Contingent Liability and Contingent Assets – Amendment (cost to include when assessing whether a contract is onerous)	1 January 2022
IAS 1 Presentation of Financial Statements - Amendments (definition of material)	1 January 2023
IAS 1 Presentation of Financial Statements - Amendments (disclosure of accounting policies)	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimate and Errors - Amendments (definition of accounting estimates)	1 January 2023

Other Amendments to IFRS’s also became effective for accounting periods beginning on or after 1 January 2022 but are not expected to have any material effect on the financial results or position of the Group or Company.

2 Disposals and business transfer

There were no disposals or acquisitions neither in Company nor in Group in year ended 31 March 2022.

On 31 March 2021, Fujitsu Services Limited paid £4.2m to acquire the business and net assets of its wholly owned subsidiary, Applied Card Technologies Limited (“ACT”). There was no gain or loss on the transaction. The transfer of the business and assets of ACT to its parent is classified as a transaction under common control. The consideration paid by FSL reflected the book value of the assets transferred and not the fair value of the ACT business on an arms-length basis. Following the transfer, ACT has ceased trading and is not expected to resume operations in the future. The carrying value of the original equity investment in ACT by FSL at the transfer date was £8.0m and ACT’s closing net asset value of £3.8m after the transfer was then equal to the investment’s recoverable amount. The future benefits of ACT’s ongoing business will still be realised by FSL, but now on a fully integrated basis. The reduction in carrying amount of the investment in FSL’s balance sheet of £4.2m has been reflected directly in equity as a shareholder transaction.

Notes to the Financial Statements continued

2	Disposals and business transfer continued

Also in the prior year the Group concluded the disposal of its overseas branch business in Egypt, as part of a strategic transformation programme of the Fujitsu Group's overseas operations. A disposal of the business to local management was concluded in February 2021, resulting in a net credit to profit and loss of £1.7m in that year but an overall transformation expense to date of £9.1m. Disposal of the business and assets in Egypt reduced the overall expected cost of exit for Fujitsu and secured a local partner relationship for ongoing business in the region. Restructuring and other provisions no longer required of £8.1m were released during the year, offset by a capital payment to the branch of £2.1m and the value of net assets disposed of £4.3m, resulting in the net credit to P&L of £1.7m.

3 Company result

	2022 £m	2021 £m
Profit/(loss) for the year dealt with in the financial statements of Fujitsu Services Limited	<u>33.7</u>	<u>15.2</u>

The Company is exempt under Section 408 of the Companies Act 2006 from presentation of its own Statement of Profit or Loss as part of these Financial Statements.

Notes to the Financial Statements continued

4 Revenue

Classification of revenue

The Group provides a wide portfolio of IT products, business solutions and services. This portfolio covers an extensive range of technology, security and enterprise platform services, ranging from workplace systems to data-centre solutions, managed services, and cloud-based software and solutions, in addition, the Group also sells Fujitsu-branded IT products and product-related services, third-party products (hardware and software) and related services, and licenses for proprietary and third-party software products, including VME.

All revenue of the Group is derived from contracts with customers. Revenue relating to the supply of assets to customers, under the terms of an IT services delivery contract containing a leasing arrangement, is separated, as required by IFRS 15, and accounted for in accordance with IFRS 16 (IAS 17 for the comparative information).

Finance lease receivables are presented separately in the statement of financial position as either current or non-current assets. There was one new leasing arrangement classified as a finance lease during the reporting period (2021 – nil). The net present value of committed cash flows for these leases recognised as revenue during the year ended 31 March 2022 was £0.6m (2021 - £nil).

Disaggregation of Revenue

In the following tables, revenue from contracts with customers is disaggregated by geographical market and by major business line. The Group is primarily organised and managed by geography.

Consolidated Revenue by Geography	2022	2021
	£m	£m
UK	1,243.9	1,213.4
Ireland	52.3	73.0
Middle East	-	1.4
Total Group	1,296.2	1,287.8

Revenue in the UK can be further disaggregated by business line, which is set out in the table below:

UK Revenue by Business Line	2022	2021
	£m	£m
Technology Services	1,027.9	1,038.6
Products	102.0	83.6
Security	28.1	33.4
Enterprise Platform Services	85.9	57.8
	1,243.9	1,213.4

Notes to the Financial Statements continued

4 Revenue continued

Transaction price allocated to remaining performance obligations

The following table includes revenue expected to be recognised in the future periods indicated, related to performance obligations that are unsatisfied, or partially satisfied, at the reporting date.

The Group's business is primarily derived from IT services contracts which are typically for periods of 3-5 years in duration although established contracts have been in place for longer terms due to customer renewals and contract extensions. The future revenue quantified below relates to committed revenue in respect of Fujitsu's contracted performance obligations; other elements of contract revenues relating to variable or uncommitted revenue are only recognised in the transaction price once those uncertainties are resolved.

The UK is the largest geographical market served by the Group. The business is managed on a geographical basis as set out below and the UK business is further segmented by business line, where Digital Transaction Services represent the largest part of the Group's contracted business at the reporting date. In total, the Group's services business has £1.7 billion (2021 - £1.8 billion) of committed external backlog in services revenue to underpin its medium-term business planning, as follows:

	Within 1 year to	Within 2-5 years	Total
	£m	£m	£m
UK geography by business line			
Technology Services	610.8	734.0	1,344.8
Enterprise Platform Services	62.0	113.4	175.4
Security	1.5	28.9	30.4
Products	21.0	34.4	55.4
Other geographical markets			
Ireland	48.6	53.4	102.0
Middle East	-	-	-
Total Group	743.9	964.1	1,708.0

The table above includes all amounts of consideration expected to be received from contracts with customers and included in the measurement of transaction price, excluding variable consideration which is not yet sufficiently certain. Variable consideration relating to volumetric charges, service credits, price indexation is recognised in the same period as the revenue for the related services.

Notes to the Financial Statements continued

5 Operating Expenses

	2022 £m	2021 £m
Operating expenses:		
Research & Development	(34.9)	(30.7)
Marketing and distribution	(88.4)	(87.6)
General and administrative expenses	(102.6)	(108.1)
	<u>(225.9)</u>	<u>(226.4)</u>
	2022 £m	2021 £m
Administrative expenses include:		
Rationalisation expenses	<u>2.0</u>	<u>15.8</u>

Rationalisation expenditure relates to restructuring programmes and includes employee termination

6 Operating Profit

	2022 £m	2021 £m
The operating profit result is stated after charging:		
Depreciation and amortisation:		
– owned and leased assets	48.6	51.9
– development costs and other intangibles assets	7.0	6.9
	<u>55.6</u>	<u>58.8</u>
Loss on disposal of property, plant and equipment and intangible assets	0.8	0.4
Research and development	34.9	30.7
Exchange losses/(gains) arising on foreign currency	(0.3)	1.3
Auditor's remuneration:		
– audit of these financial statements	<u>0.5</u>	<u>0.5</u>

Notes to the Financial Statements continued

7 Income from other investments

	2022	2021
	£m	£m
Dividend from other investments	0.2	0.2

8 Net Finance Expense

	2022	2021
	£m	£m
Interest payable to group companies	(0.1)	(0.2)
Interest payable on leases	(4.4)	(4.8)
Other interest payable	-	(0.4)
Finance expense	(4.5)	(5.4)
Interest receivable on leases	-	-
Other interest receivable	-	0.5
Finance income	-	0.5
Net finance expense	(4.5)	(4.9)

Notes to the Financial Statements continued

9 Income Tax Expense

	2022 £m	2021 £m
Amount recognised in profit or loss		
Current tax:		
UK corporation tax	0.7	1.3
Adjustments in respect of prior periods	(2.9)	(2.8)
Overseas tax	(0.6)	1.0
Total current tax	(1.6)	(0.5)
Deferred tax:		
Origination/reversal of temporary differences	(4.0)	6.4
Reduction in tax rates	3.9	-
Derecognition of previously unrecognised/recognised tax losses	1.4	18.5
Total deferred tax	1.3	24.9
Total income tax charge/(credit)	(0.3)	24.4
Reconciliation of the total tax charge		
The total tax charge on the Group's profit before tax for the year differs from the standard rate of corporation tax for the following reasons:		
Profit for the year	22.4	22.1
Total income tax charge/(credit)	(0.3)	24.4
Profit before tax	22.1	46.5
 Taxation on profit at the UK statutory rate of 19% (2021: 19%)	 4.2	 8.9
Effects of:		
Non-deductible expenses	(0.6)	-
Derecognition of previously unrecognised/recognised tax losses	(5.5)	18.0
Adjustments in respect of prior years	(2.9)	(2.8)
Effect of change in tax rate on deferred tax balances	3.9	-
Effects of taxes in foreign jurisdictions	0.6	0.3
Total income tax charge	(0.3)	24.4
Amount recognised in other comprehensive income		
Remeasurement of net defined pension liability/asset before	32.5	(230.4)
Related tax expense	(24.4)	44.0
Net of tax	8.1	(186.4)

Notes to the Financial Statements continued

10 Dividends

Group

The Directors do not recommend payment of a final dividend (2021 - £nil). No interim dividends were paid during the current year (2021 - £nil).

Company

The Directors do not recommend payment of a final dividend (2021 - £nil). No interim dividends were paid during the current year (2021 - £nil).

11 Personnel Expenses

	2022 £m	2021 £m
Employee costs		
Wages and salaries	346.6	371.3
Social security contributions	47.0	50.4
Contributions to defined contributions pension plans	35.9	36.6
Cost of defined benefit pension plans charged to the Statement of Profit or Loss	(6.6)	(12.9)
	<u>422.9</u>	<u>445.4</u>
Rationalisation expense	0.4	14.4
Total employee costs	<u>423.3</u>	<u>459.8</u>

Rationalisation expenses include the portion directly allocated to employees' costs only.

Number of employees in the Group

Average weekly number of people employed by the Group during the year:

United Kingdom	6,206	6,601
Rest of Europe	173	182
Rest of World	10	16
	<u>6,389</u>	<u>6,799</u>

Notes to the Financial Statements continued

12 Directors' Emoluments

	2022 £k	2021 £k
Directors' Emoluments		
Aggregate emoluments	2,292	1,646
Company pension contribution to defined contribution	5	3

One director accrued benefits under a defined contribution pension scheme (2021 - one) and no directors are accruing benefits under a defined benefit pension scheme (2021 - nil) in respect of qualifying services during the year.

Compensation for loss of office in the prior year included payment of contractual compensation due to a director following resignation.

	2022 £k	2021 £k
Highest paid Directors' Emoluments		
Aggregate remuneration in respect of qualifying services	1,331	842
Company contributions to defined contributions pension schemes	1	-

No director exercised share options during the year (2021 - nil). No directors received shares under long-term incentive schemes (2021 - nil). No loans were granted to directors and no guarantees were given. There are also no prepayments relating to sums due to directors.

Notes to the Financial Statements continued

13 Intangible Assets

Group	Goodwill £m	Software products £m	Development Costs £m	Total £m
Cost				
At 1 April 2020	273.5	85.5	49.1	408.1
Exchange adjustments	(1.7)	(0.3)	-	(2.0)
Additions - internally developed	-	4.7	17.9	22.6
Disposals	-	(36.4)	(0.4)	(36.8)
At 31 March 2021	271.8	53.5	66.6	391.9
At 1 April 2021	271.8	53.5	66.6	391.9
Exchange adjustments	0.4	0.1	-	0.5
Additions - internally developed	-	12.7	31.6	44.3
Disposals	-	(3.9)	(0.9)	(4.8)
At 31 March 2022	272.2	62.4	97.3	431.9
Amortisation and impairment losses				
At 1 April 2020	135.9	72.9	13.6	222.4
Amortisation charge	-	5.2	1.7	6.9
Disposals	-	(36.2)	(0.4)	(36.6)
At 31 March 2021	135.9	41.9	14.9	192.7
At 1 April 2021	135.9	41.9	14.9	192.7
Amortisation charge	-	5.1	1.9	7.0
Impairment charge	-	6.7	-	6.7
Disposals	-	(4.1)	(0.9)	(5.0)
At 31 March 2022	135.9	49.6	15.9	201.4
Net book value				
At 31 March 2020	137.6	12.6	35.5	185.7
At 31 March 2021	135.9	11.6	51.7	199.2
At 31 March 2022	136.3	12.8	81.4	230.5

The amortisation and impairment charges are recognised in the following line items in profit or loss:

	2022 £m	2021 £m
Cost of sales	7.0	6.9
General and administrative expenses	6.7	-

Notes to the Financial Statements continued

13 Intangible Assets continued

Company	Goodwill £m	Software products £m	Development Costs £m	Total £m
Cost				
At 1 April 2020	212.9	76.1	49.2	338.2
Additions - internally developed	-	4.0	17.9	21.9
Business Acquired (note 2)	-	3.0	-	3.0
Disposals	-	(42.6)	(0.4)	(43.0)
At 31 March 2021	212.9	40.5	66.7	320.1
At 1 April 2021	212.9	40.5	66.7	320.1
Additions - internally developed	-	12.7	31.7	44.4
Disposals	-	(4.5)	(0.9)	(5.4)
At 31 March 2022	212.9	48.7	97.5	359.1
Amortisation and impairment losses				
At 1 April 2020	136.4	66.7	13.4	216.5
Amortisation charge	-	5.0	1.7	6.7
Disposals	-	(42.6)	(0.4)	(43.0)
At 31 March 2021	136.4	29.1	14.7	180.2
At 1 April 2021	136.4	29.1	14.7	180.2
Amortisation charge	-	4.5	1.9	6.4
Impairment charge	-	6.7	-	6.7
Disposals	-	(4.1)	(0.9)	(5.0)
At 31 March 2022	136.4	36.2	15.7	188.3
Net book value				
At 31 March 2020	76.5	9.4	35.8	121.7
At 31 March 2021	76.5	11.4	52.0	139.9
At 31 March 2022	76.5	12.5	81.8	170.8

The amortisation and impairment charges are recognised in the following line items in profit or loss:

	2022 £m	2021 £m
Cost of sales	6.4	6.7
General and administrative expenses	6.7	-

Notes to the Financial Statements continued

13 Intangible Assets continued

Impairment tests for cash-generating units containing goodwill

The Group organises its cash-generating units on a geographical basis, which reflects the management structure of the Group's operations. The Fujitsu Services Limited Group is organised primarily into two distinct CGUs in the UK and the Republic of Ireland.

The carrying value of Goodwill has been allocated to these CGU's as follows:

	2022 Group £m	2021 Group £m	2022 Company £m	2021 Company £m
UK	122.4	121.9	76.5	76.5
Republic of Ireland	13.9	14.0	-	-
	136.3	135.9	76.5	76.5

Goodwill is an intangible asset with an indefinite useful life and is required to be tested annually for impairment. Impairment testing is conducted by comparing the carrying value of assets allocated to each CGU, including Goodwill, with its recoverable amount. The recoverable amount is based on a calculation of the value in use of each CGU.

Value in use calculations are derived from pre-tax cash flow projections expected to be generated by each CGU over the Group's three-year, Mid-Term Plan (MTP) forecast period. The MTP for each CGU is compiled through a detailed annual planning process by the business, across all business lines and functions. The Group's business is predominantly services-oriented with established services businesses across its geographical scope. Forecasts are compiled considering existing contracted services business, opportunities for contract extensions, and development and retention of existing customer relationships; strategic business initiatives, approved business development programmes, and opportunities for new business growth in the IT market and specific industry sectors. The Group already has a broad portfolio of service and technology offerings, as well as a well-diversified customer base in both Public and Private sectors and across industry sectors, supported by the Group's Global Delivery organisation and established European shared services functions.

The Group's strategic initiatives are agreed and aligned with those of the Fujitsu Group in Europe and globally. The MTP also establishes profitability targets, operating cost budgets and approved plans for capital investment, business development and R&D to support its strategic business plans and programmes.

The MTP process brings together current knowledge and past experience of the Group's customers and IT markets in which it operates, but it is based on a range of assumptions, judgements and estimates that are a necessary component of any forecast process, particularly across a longer-term planning horizon and in a marketplace which is regularly changing in line with customer demands, new technology and delivery channels.

Notes to the Financial Statements continued

13 Intangible Assets continued

The uncertainty in relation to the wider economy, following emergence of the Coronavirus global pandemic, increases the risk that forecast expectations may not be met.

Overview of value in use calculation methodology

The basis of the calculation is the annual Mid-term Plan, as described above, covering three years from the current reporting date. This MTP builds on current business activities with expected developments in operating and investing activities, as well as strategic programmes.

Growth assumptions take account of expectations in maintaining existing business and securing new business, including current and predicted features of the IT market, such as market size, market share and customer procurement behaviour; as well as assumptions including expected win rates, range of offerings and market positioning. Beyond the MTP period, cash flows are extrapolated based on an annual growth rate of 1%, given the current uncertainty in long-term economic outlook (2021 - 1%). The MTP process is supported by the Fujitsu Europe Strategy team who focus on market insight and strategic planning to support achievement of business goals.

Cash flows are discounted to present value using the Group's corporate pre-tax WACC rate of 10.7% (2021 - 10.7%). This discount rate represents the pre-tax rate that reflects the Group's weighted average cost of capital, including an appropriate risk premium for the business activities and area of operation of each CGU. The Directors do not consider that there is any material difference in the specific risk profile of the Group's CGUs that is not already reflected in the cash flow estimates and it is, therefore, appropriate to use a common discount rate.

The key components of the forecast and risk factors are considered in more detail below:

- **Revenue and business growth expectations**

Economic contraction in Europe and constraints on investment, including IT, are significant risk factors to revenue plans in an uncertain economy. Reduced demand from existing customers, including constraints on investment in IT projects, as well as a general reduction in economic activity, are key risks to achievement of Revenue targets. An increasingly price competitive marketplace, as well as advancements in IT technology and service offerings, are also risk factors for achievement of revenue growth.

- **Cost and overhead assumptions**

Cost control is a key component of business profitability that drives future cash flows. The ability of the organisation to flex its cost base and adapt its cost of operations in the medium-term is also a significant risk factor to MTP assumptions. Remaining cost-competitive is also key to success in maintaining existing customer business and achieving new business targets.

Notes to the Financial Statements continued

13 Intangible Assets continued

- **Discount rate**

The discount rate is updated annually based on a current market assessment of the expected return on equity and debt by the Group's investors, primarily equity, determined from market-based information available for a range of similar organisations. An increase in discount rate would reduce the value in use of each CGU and headroom in the recoverable amount against impairment. Sensitivity analysis for the Group cash flow position have been prepared for each CGU assuming a 1% increase in discount rate to ensure that headroom is maintained. The results are described in further detail below.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

As described above, the MTP is based on a range of assumptions to determine the value of expected future cash flows. Deviations against those plans and assumptions in terms of revenue projections, gross margin achievement, operating and capital costs and successful achievement of strategic objectives are all inherently uncertain.

The Group's business activities are well diversified across a broad range of government, public sector and business-to-business private sector customers. Business with the UK Central Government remains an important pillar of the Group's financial performance through its long-standing, trusted relationships. Growth in profitable business across the private sector remains a key component of the Group's business development strategy.

In addition to the risks inherent in achievement of the business forecast, global economic factors continue to drive economic uncertainty and prolong the risk that future business plans may not be achieved. At this time, it is not possible to quantify with certainty the extent or impact these risks will have on future business performance.

Headroom in the impairment test for each CGU has been tested for sensitivity to adverse changes in forecast cash flows, discount rate and growth rate. A reduction in forecast annual cash flows over the three-year MTP has been modelled assuming that any specific economic impacts or wider recession are not prolonged or can be mitigated beyond this period. A management review has also been conducted to identify any specific quantifiable risks (and opportunities) that could be applied to the MTP forecast cash flows, but no significant items have been identified. Overall adequate headroom is available against significant impairment risk in both the UK and Ireland CGUs of the Group and Company.

Specific sensitivity analysis has also been performed to test the headroom for changes in key assumptions used in the impairment testing, including long-term growth rate, discount rate and annual cashflows.

Notes to the Financial Statements continued

13 Intangible Assets continued

Terminal value growth rate: the calculation of terminal value of future cash flows beyond the Group's three-year Mid-Term planning period includes a long-term growth rate assumption of 1% pa, compared to 2.4% pa being the IT industry long-term growth rate pre-COVID 19. The sensitivity of the headroom in the largest CGU in the Group to the growth rate assumption has been tested and the results are tabulated below for both the Group and Company.

		Group			Company		
UK CGU As at March 2022	Growth rate pa	Carrying value of Goodwill £m	Impairment headroom* £m	Change in headroom £m	Carrying value of Goodwill £m	Impairment headroom* £m	Change in headroom £m
Growth rate assumption	1.0%	122.4	66.8		76.5	103.5	
Compared to:							
IT industry growth rate	2.4%		124.5	57.6		159.0	55.5
Growth rate	0%		34.9	(31.9)		72.7	(30.7)
Growth rate	-1.0%		8.4	(58.4)		47.2	(56.2)

*Impairment headroom represented by value in use of the CGU less carrying value, including Goodwill.

The results of the sensitivity analysis indicate that sufficient headroom against impairment is available for both the Group and Company based on the current value-in-use of the UK CGU, even if no long-term business growth is assumed or if a negative long-term growth rate of -1% is assumed.

In the Group, the carrying value of Goodwill in the Ireland CGU is £13.9m (2021 - £14.0m) with headroom in the annual impairment test of £19.6m (2021 - £34m). This headroom is reduced by £5.5m (2021 - £6m) where the growth rate of 1% is replaced with a negative growth rate of -1% pa, but headroom against impairment is maintained.

Annual cashflows:

Further sensitivity analysis on headroom for each CGU has been performed based on the absolute value of forecast annual cash flows. For the Group, forecast cash flows of the UK CGU could reduce by £8.0m (2021 - £8.9m) pa across all periods before headroom would be fully consumed. This equates to an unmitigated reduction in Revenue of approximately £37.9m pa (2021 - £44m pa), or a 0.6% (2021 - 0.7%) reduction in annual direct margin, across all periods.

For the Company, forecast cashflows could reduce by £12.4m pa across all periods before the headroom is removed.

Notes to the Financial Statements continued

13 Intangible Assets continued

Discount rate:

Sensitivity of value in use to the discount rate assumption has also been tested. A general increase in discount rate of 1% has been applied to each CGU but no impairment identified, despite reduced headroom. For the UK CGU of the Group, a 1% increase in discount rate reduces value in use and impairment headroom by approximately £41m (2021 - £40m). For the Company, headroom in the UK CGU against impairment is higher than the Group but would also reduce headroom by approximately £39m (2021 - £39m) with a 1% increase in the discount rate. Impairment headroom is sensitive to a change in discount rate, however, an increase of 1% would not be sufficient to erode headroom in the UK CGU for either the Group or Company. Headroom is also maintained in the Group for the Ireland CGU under the same sensitivity scenario.

Based on the latest management information on financial performance of the Group since the reporting date, and review of specific risks and opportunities identified in latest financial forecasts, headroom against impairment is still maintained. However, in the UK in particular, maintaining planned trading performance over the MTP is required to protect against increased impairment risk.

Overall, based on the results of the impairment assessment and specific sensitivity testing, the Directors have concluded that the carrying value of Goodwill is not impaired in both Group and Company. However, achievement of the underlying objectives of the MTP in terms of revenue and profitability remains key to ensuring impairment risk does not increase in the future.

Notes to the Financial Statements continued

14 Property, Plant and Equipment

Group	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
At 1 April 2020	320.9	104.7	28.7	454.3
Exchange	(0.2)	(0.1)	-	(0.3)
Additions	10.2	4.6	12.2	27.0
Disposals	(12.2)	72.5	(0.4)	59.9
At 31 March 2021	318.7	181.7	40.5	540.9
At 1 April 2021	318.7	181.7	40.5	540.9
Exchange	-	-	-	-
Additions	4.4	5.0	4.1	13.5
Disposals	(18.7)	(17.6)	(0.1)	(36.4)
At 31 March 2022	304.4	169.1	44.5	518.0
Depreciation and impairment charge				
At 1 April 2020	152.6	63.8	24.9	241.3
Exchange	(0.1)	(0.1)	-	(0.2)
Charge for the year	31.0	16.3	4.6	51.9
Impairment reversal	(0.8)	-	-	(0.8)
Disposals	(12.2)	72.7	(0.4)	60.1
At 31 March 2021	170.5	152.7	29.1	352.3
At 1 April 2021	170.5	152.7	29.1	352.3
Exchange	-	-	-	-
Charge for the year	29.2	14.2	5.2	48.6
Impairment charge	1.5	-	-	1.5
Disposals	(17.9)	(17.4)	(0.1)	(35.4)
At 31 March 2022	183.3	149.5	34.2	367.0
Net book value				
At 31 March 2020	168.3	40.9	3.8	213.0
At 31 March 2021	148.2	29.0	11.4	188.6
At 31 March 2022	121.1	19.6	10.3	151.0

Notes to the Financial Statements continued

14 Property, Plant and Equipment continued

Company	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
At 1 April 2020	315.8	89.6	12.2	417.6
Additions	10.6	4.4	12.2	27.2
Business Acquired	0.4	0.3	0.1	0.8
Disposals	(13.4)	103.2	(1.4)	88.4
At 31 March 2021	313.4	197.5	23.1	534.0
At 1 April 2021	313.4	197.5	23.1	534.0
Additions	4.4	4.3	4.1	12.8
Disposals	(18.7)	(17.2)	(0.1)	(36.0)
At 31 March 2022	299.1	184.6	27.1	510.8
Depreciation and impairment charge				
At 1 April 2020	152.5	48.4	7.9	208.8
Charge for the year	30.4	16.1	4.6	51.1
Impairment reversal	(0.8)	-	-	(0.8)
Disposals	(13.4)	103.2	(0.6)	89.2
At 31 March 2021	168.7	167.7	11.9	348.3
At 1 April 2021	168.7	167.7	11.9	348.3
Charge for the year	28.4	13.6	4.8	46.8
Impairment charge	1.5	-	-	1.5
Disposals	(17.9)	(16.8)	(0.1)	(34.8)
At 31 March 2022	180.7	164.5	16.6	361.8
Net book value				
At 31 March 2020	163.3	41.2	4.3	208.8
At 31 March 2021	144.7	29.8	11.2	185.7
At 31 March 2022	118.4	20.1	10.5	149.0

Notes to the Financial Statements continued

14 Property, Plant and Equipment continued

Leased property, plant and equipment

The Group leases buildings, motor vehicles and hardware for use in customer contracts under a number of lease agreements. Lease term for buildings recognised in the Statement of Financial Position as at 31 March 2022 ranged between one and 60 years with final lease payment in August 2081. Lease of motor vehicles and other equipment generally have a lease term between 3 and 5 years. The Group's obligation under its leases is secured by the lessor's title to the leased assets.

The table below demonstrates the movement on the leased asset position during the year ended 31 March 2022.

Group	Land and buildings £m	Plant and machinery £m	Leased equipment £m	Total £m
Net position as at 31 March 2021	107.8	8.3	10.7	126.8
Additions	2.0	4.0	0.9	6.9
Disposals	(0.7)	(0.7)	(0.2)	(1.6)
Impairment charge	(1.5)	-	-	(1.5)
Depreciation charge for the year	(20.1)	(5.3)	(3.2)	(28.6)
Exchange difference	-	-	-	-
Net position as at 31 March 2022	87.5	6.3	8.2	102.0

At the balance sheet date, the net carrying amount of right of use assets by region was the following:

Group	Land and buildings £m	Plant and machinery £m	Leased equipment £m	Total £m
United Kingdom	85.8	6.2	8.3	100.3
Ireland	1.7	-	-	1.7
Total	87.5	6.2	8.3	102.0

The depreciation charge for the right of use asset by region for the year ended 31 March 2022 is demonstrated below:

Group	Land and buildings £m	Plant and machinery £m	Leased equipment £m	Total £m
United Kingdom	(19.2)	(5.3)	(3.2)	(27.7)
Ireland	(0.7)	-	-	(0.7)
Total	(19.9)	(5.3)	(3.2)	(28.4)

Notes to the Financial Statements continued

15 Investments

	2022 Group £m	2021 Group £m	2022 Company £m	2021 Company £m
Subsidiary undertakings				
Shares at cost less provision for impairment	-	-	10.7	10.7
Other investments				
Quoted securities at fair value	12.2	12.0	12.2	12.0

Investments in subsidiary undertakings are stated at a value based on underlying local currency historic cost less any provision for impairment in value. In the opinion of the Directors, the value of investments in subsidiary undertakings after impairment is not less than that at which they are stated in the Statement of Financial Position.

The movement in carrying value of investments in subsidiaries comprises:

	Cost £m	Impairment Provision £m	Net book value £m
At 31 March 2021	396.2	(385.5)	10.7
Additions	1.2	-	1.2
Impairment	-	(1.2)	(1.2)
At 31 March 2022	397.4	(386.7)	10.7

During the year ending 31 March 2022, the Company paid £1.2m (2021 - £1.4m) towards the recapitalisation of Kepler GR Holdings Inc. Equity investments in subsidiary undertakings are reviewed annually for indicators of impairment of the carrying value, measured at cost less accumulated impairment losses. The results of this year's review have identified a further impairment provision of £1.2m against the Company's investment in its subsidiaries Kepler GR Holdings Inc. (2021 - £1.4m).

Where the net assets of a subsidiary fall below the carrying amount of the investment an impairment test is performed. The impairment test compares the carrying amount to the estimated recoverable amount, calculated based on value in use of the forecast business cash flows, discounted at the Company's weighted average cost of capital.

Notes to the Financial Statements continued

15 Investments continued

The movement in carrying value of other investments held by the Group and Company during the period is comprised as follows:	Other investments £m
At 31 March 2021	12.0
Increase in market value	0.2
At 31 March 2022	12.2

A list of subsidiaries is provided in Note 33. Other investments include listed investments with an original cost of £8.3m (2021 – £8.3m) and are carried at fair value based on quoted market prices at the balance sheet date.

16 Deferred Tax Liabilities

The following deferred tax assets and liabilities have been recognised:

	2022 Group £m	2021 Group £m	2022 Company £m	2021 Company £m
Deferred tax liability				
Property, plant and equipment	111.3	83.6	111.3	83.6
Employee benefits	(182.2)	(122.7)	(182.3)	(122.7)
Carried forward tax losses	3.0	-	1.4	-
Net operating lease obligations	0.3	0.9	0.3	0.9
Other temporary differences	2.8	(1.0)	2.8	(1.0)
	<u>(64.9)</u>	<u>(39.2)</u>	<u>(66.5)</u>	<u>(39.2)</u>

Net deferred tax assets are recognised in the Statement of Financial Position as follows:

Non-current liability	<u>(64.9)</u>	<u>(39.2)</u>	<u>(66.5)</u>	<u>(39.2)</u>
Net deferred tax liability	<u>(64.9)</u>	<u>(39.2)</u>	<u>(66.5)</u>	<u>(39.2)</u>
Unrecognised deferred tax assets				
Carried forward tax losses	<u>206.8</u>	<u>171.8</u>	<u>206.8</u>	<u>171.8</u>
	<u>206.8</u>	<u>171.8</u>	<u>206.8</u>	<u>171.8</u>

Except for deferred tax assets and liabilities acquired with businesses, actuarial gains and losses on pension scheme remeasurement recognised directly in the Statement of Other Comprehensive Income and changes due to movements in foreign exchange, all movements on deferred tax assets and liabilities have been recognised through the Statement of Profit or Loss in both periods.

Notes to the Financial Statements continued

16 Deferred Tax Liabilities continued

Based on projections of future taxable income, management believes it is probable that sufficient taxable profit will be available against which these deductible temporary differences can be utilised. The majority of deductible differences and losses arise in the UK and the only source of future taxable income taken into account is the reversal of existing taxable differences, primarily in relation to the defined benefit pension surplus. Current projections of taxable income indicate that it is not likely there will be sufficient taxable profits after deduction of annual pension contributions to support recognition of further deferred tax assets. Despite total UK deferred tax liabilities exceeding total UK deferred tax assets, deferred tax assets are not fully recognised due to limitations imposed under UK tax law on how many losses and capital allowances can be used each year. During the year recognised deferred tax assets increased by £5.9m through profit or loss, reflecting an increase in deferred tax liabilities on the Group's retirement benefit surplus, mainly due to the remeasurement gain recognised on annual actuarial valuation (2021: decrease £13.9m).

A further £12.7m deferred tax charge was recognised in the year through profit or loss relating to an increase in deferred tax liabilities on the retirement benefit asset following total contributions paid and net benefit income arising during the year (2021: £11.1m).

A change in rate of corporation tax from 19% to 25%, to take effect in 2023, was enacted during the year and an increase in recognised deferred tax liabilities of £16.2m was recognised through OCI in relation to taxable timing differences on retirement benefit plans. A deferred tax credit of £3.9m was also recognised in profit or loss relating to a corresponding increase in recognised deferred tax assets. The UK government has now announced its decision to abolish this planned increase and maintain the rate at 19% for the foreseeable future. The effect of the rate reduction on deferred tax liabilities and deferred tax assets will be recognised in the following financial year.

Notes to the Financial Statements continued

17 Inventories

	2022 Gross £m	2022 Provision £m	2022 Net £m	2021 Gross £m	2021 Provision £m	2021 Net £m
Group						
Finished goods						
– spares and other inventories	11.1	(10.5)	0.6	13.2	(12.4)	0.8
– computer hardware	0.2	(0.1)	0.1	2.7	(0.1)	2.6
	11.3	(10.6)	0.7	15.9	(12.5)	3.4
Contract assets	47.3	(0.1)	47.2	39.6	(0.1)	39.5
	58.6	(10.7)	47.9	55.5	(12.6)	42.9
Company						
Finished goods						
– spares and other inventories	11.1	(10.5)	0.6	13.2	(12.4)	0.8
– computer hardware	0.2	(0.1)	0.1	3.1	(0.1)	3.0
	11.3	(10.6)	0.7	16.3	(12.5)	3.8
Contract assets	41.0	-	41.0	36.1	(0.2)	35.9
	52.3	(10.6)	41.7	52.4	(12.7)	39.7

Group

Cost of sales includes a credit of £2.0m (2021 – credit of £2.6m) in respect of movements in provisions against obsolete inventories.

Contract assets in connection with customer contracts are classified and recognised in accordance with the requirements of IFRS 15 and represent recoverable costs incurred, including contract work-in-progress relating to performance obligations not yet satisfied of £36.0m (2021 - £26.6m), capitalised contract fulfilment costs of £11.2m (2021 - £12.9m) and capitalised costs incurred in obtaining a contract of £nil (2021 - £nil). The movement on capitalised contract fulfilment costs during the period amounted to £1.7m (2021 - £5.0m), which was made up of an increase of capitalised costs of £5.5m (2021 - £9.4m), offset by amortization of £7.2m (2021 - £12.3m).

Out of the balance of capitalised fulfilment costs as at 31 March 2022 of £11.2m (2021 - £12.9m), a total of £5.9m (2021 - £5.3m) is expected to be amortised during the following year and the remainder over a period of more than one year from the balance sheet date in line with satisfaction of the performance obligations to which the costs incurred relate.

There were no new costs incurred in obtaining a contract during the year ended March 2022.

Company

Cost of sales includes a credit of £2.1m (2021 – credit of £2.4m) in respect of movements in provisions against obsolete inventories.

Notes to the Financial Statements continued

18 Trade and Other Receivables

	2022 Group £m	2021 Group £m	2022 Company £m	2021 Company £m
Current assets				
Trade receivables	230.8	211.2	221.4	202.4
Less: impairment losses	(6.3)	(7.4)	(6.3)	(7.4)
	<u>224.5</u>	<u>203.8</u>	<u>215.1</u>	<u>195.0</u>
Contract assets	2.7	3.4	2.7	3.4
Amounts due from fellow group undertakings	5.0	9.1	22.8	27.6
Amounts due from fellow subsidiary	-	-	9.5	9.9
Amounts due from other group undertakings	119.4	98.2	109.3	98.0
Finance lease receivables	0.3	0.2	0.3	0.2
Financial derivative asset	0.9	1.3	0.9	1.2
Other receivables	2.1	-	2.1	-
Prepayments	<u>30.2</u>	<u>29.9</u>	<u>28.2</u>	<u>28.1</u>
	<u>385.1</u>	<u>345.9</u>	<u>390.9</u>	<u>363.4</u>
Non-current assets - Other receivables				
Finance lease receivables	1.1	0.2	1.1	0.2
Prepayments and accrued income	4.1	10.1	3.7	9.6
Financial derivative asset	<u>-</u>	<u>0.2</u>	<u>-</u>	<u>0.3</u>
	<u>5.2</u>	<u>10.5</u>	<u>4.8</u>	<u>10.1</u>

Contract assets represent amounts receivable from contracts with customers in respect of revenue recognised from the satisfaction of performance obligations which are recoverable but not yet billable to the customer under the terms of the contract. This includes contracts where revenue is recognized with reference to the stage of completion of the performance obligations but recoverable through charges billable to the customer in the future. Unbilled receivables at the reporting date which relate to revenue recognized for services delivered that are billable to the customer and not conditional upon the satisfaction of further performance obligations are classified as trade receivables.

Notes to the Financial Statements continued

19 Cash and Cash Equivalents

	2022 Group £m	2021 Group £m	2022 Company £m	2021 Company £m
Bank balances	13.7	78.0	13.3	27.1
Cash and cash equivalents per Statement of Financial Position	13.7	78.0	13.3	27.1
In-House bank deposits with FTS HBV	63.0	-	63.0	-
Net cash and cash equivalents in the Statement of Cash Flows	76.7	78.0	76.3	27.1

During the year the Group expanded its participation in the Fujitsu Europe Group Treasury in-house bank (IHB) arrangement, to include accounts in the UK and Ireland. The IHB is operated by Fujitsu Technology Solutions (Holding) B.V. (FTS HBV) as a regional cash management solution to maximise cash utilisation across Europe. Designated bank accounts of participating companies are swept overnight onto intercompany accounts with FTS HBV and repaid the following day. In the UK the Group also continues to maintain its notional Sterling cash pool for cash concentration purposes. Intercompany loan and deposit balances with the IHB are reported on a gross basis as either intercompany payables or intercompany receivables, as disclosed in Notes 18 and 20 of these Financial Statements. FTS HBV is a related party of the Company and its subsidiaries and further details of related party transactions are set out in Note 29.

20 Interest-bearing Loans and Borrowings

	2022 Group £m	2021 Group £m	2022 Company £m	2021 Company £m
Non-current liabilities				
Bank borrowings	0.4	2.7	0.4	2.7
Lease liabilities	84.2	103.1	83.1	101.2
	84.6	105.8	83.5	103.9
Current liabilities				
Bank borrowings	2.8	5.2	2.8	5.2
Lease liabilities	18.0	24.6	17.3	23.9
	20.8	29.8	20.1	29.1

Bank borrowings repayable after more than one year of £0.4m (2021 - £2.7m) are payable by fixed annual instalments and represent the non-current portion of specific financing arrangements in the UK. Bank borrowings repayable within one year contain the current portion of these finance arrangements of £2.8m (2021 - £5.2m).

Notes to the Financial Statements continued

20 Interest-bearing Loans and Borrowings continued

Lease liabilities

Lease liabilities relate mainly to leasehold properties in the UK and Ireland, as well as leasing for motor vehicles and hardware. The movement on lease liabilities during the year ended 31 March 2022 is demonstrated below:

Group	Fujitsu Services Limited £m	Fujitsu (Ireland) Limited £m	Total £m
As at 31 March 2021	125.2	2.5	127.7
Addition	7.3	-	7.3
Disposal	(1.4)	-	(1.4)
Interest accruals	4.3	0.1	4.4
Payments	(35.0)	(0.8)	(35.8)
Exchange difference	-	-	-
As at 31 March 2022	100.4	1.8	102.2

At the balance sheet date, the breakdown of lease liabilities by asset nature is the following:

	2022 Group £m	2021 Group £m	2022 Compan £m	2021 Compan £m
Buildings	92.3	110.1	91.3	107.5
Motor vehicles	5.8	8.3	5.8	8.3
Hardware	4.1	9.3	3.3	9.3
	102.2	127.7	100.4	125.1

Lease liabilities are payable as follows:

Group	Minimum lease payments 2022 £m	Interest 2022 £m	Principal 2022 £m	Minimum lease payments 2021 £m	Interest 2021 £m	Principal 2021 £m
Less than one year	28.1	3.9	24.2	30.5	5.9	24.6
Between one and five years	46.5	15.3	31.2	66.4	13.1	53.3
More than five years	124.2	77.4	46.8	132.8	83.0	49.8
	198.8	96.6	102.2	229.7	102.0	127.7

Notes to the Financial Statements continued

20 Interest-bearing Loans and Borrowings continued

	Minimum lease payments 2022 £m	Interest 2022 £m	Principal 2022 £m	Minimum lease payments 2021 £m	Interest 2021 £m	Principal 2021 £m
Company						
Less than one year	27.4	3.9	23.5	29.8	5.9	23.9
Between one and five years	45.5	15.3	30.2	64.5	13.1	51.4
More than five years	124.1	77.4	46.7	132.8	83.0	49.8
	197.0	96.6	100.4	227.1	102.0	125.1

In the UK, one leasehold property is fully sublet and six partially sublet by the Group in both the current and previous year. These leases and subleases expire in 2025. The Group expects to receive total annual sublease income of £1.3m in the year to 31 March 2023.

There are no contingent rents, escalation clauses or restrictions imposed by these lease arrangements. The Group has no freehold buildings and no rights to purchase.

21 Trade and Other Payables

	2022 Group £m	2021 Group £m	2022 Company £m	2021 Company £m
Trade payables	162.8	145.8	151.5	140.0
Contract liabilities	54.6	60.7	44.8	49.6
Amounts due to parent undertaking	3.3	3.5	3.2	3.3
Amounts due to fellow group undertakings	58.4	54.4	41.3	36.9
Amounts due to fellow subsidiary	-	-	52.9	22.6
Amounts due to other group undertakings	61.6	37.3	61.5	35.4
Other taxation and social security	27.5	31.7	27.0	31.2
Financial derivative liability	0.1	1.0	0.1	1.0
Accruals and deferred income	66.6	71.7	64.0	68.0
	434.9	406.1	446.3	388.0

Notes to the Financial Statements continued

21 Trade and Other Payables continued

Group

Contract liabilities relate to contracts with customers, recognised and measured in accordance with the requirements of IFRS 15, and relate to either advance payments received for services to be delivered in the future £0.2m (2021 - £0.3m), or amounts invoiced in respect of performance obligations which are not yet satisfied in full and due to be satisfied within a period of 12 months from the reporting date £54.3m (2021 - £60.4m).

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounted to £77.7m (2021- £109.7m).

Company

Total contract liability in the Company amounted to £44.8m (2021 - £49.6m), represented by £0.2m (2021 - £0.3m) of advanced payment and £44.6m (2021- £49.3m) of performance obligations which are not yet satisfied in full and due to be satisfied within a period of 12 months from the reporting date.

22 Non-Current Liabilities (Excluding Loans and Borrowings and Provisions)

	2022 Group £m	2021 Group £m	2022 Compan £m	2021 Compan £m
Contract liabilities	4.3	3.9	4.3	3.9
Other liabilities	0.5	0.8	0.5	0.8
Accruals and deferred income	0.2	0.2	0.2	0.2
	<u>5.0</u>	<u>4.9</u>	<u>5.0</u>	<u>4.9</u>

Contract liabilities represent mainly the non-current portion of amounts invoiced under contracts with customers, recognised in accordance with the requirements of IFRS 15, in respect of performance obligations not yet satisfied in full and due to be satisfied in the period more than 12 months after the reporting date.

Notes to the Financial Statements continued

23 Financial Instruments

The Group's principal non-derivative financial instruments comprise bank loans and overdrafts, loans, cash and short-term deposits, the main purpose of which is to manage the Group's funding and liquidity requirements. The Group also holds one non-current equity investment. Other financial instruments such as trade receivables and trade payables arise directly from the Group's trading operations.

Derivative financial instruments are represented by short-term foreign currency swap and forward contracts placed by Group Treasury with external banks as part of the Group's cash management and foreign currency risk management activities. An embedded financial instrument is separately recognised where the arrangement has the characteristics of a derivative instrument and is not closely related to the host contract. Embedded foreign currency instruments are separately recognised at inception of the commercial contract where there is a firm commitment to exchange a known amount of currency, at future dates, at pre-determined exchange rates; and the settlement currency is not that of any material party to the contract. The fair value of derivative foreign exchange instruments, including embedded derivatives, is determined on initial recognition at forward market exchange rates at inception of the contract and subsequently remeasured based on forward market exchange rates at the balance sheet date.

Fair Values of Financial Assets and Liabilities

The carrying value of the Group's trade and other receivables and trade and other payables are disclosed in Notes 18 and 21. The carrying value of these items approximates book value due to the short maturity of these instruments. The carrying value of the Group's other financial assets and financial liabilities are set out below by category. Carrying values for all financial assets and liabilities are equivalent to fair values.

	2022 Group £m	2021 Group £m	2022 Company £m	2021 Company £m
Financial assets				
Cash and cash equivalents (Note 19)	13.7	78.0	13.3	27.1
Other financial assets at fair value through profit and loss:				
Listed equity investments (Note 15)	12.2	12.0	12.2	12.0
Derivative financial instruments ²	0.9	1.5	0.9	1.4
Loan due from other group undertakings	-	59.7	-	59.7
Loan due from fellow subsidiary undertakings	-	-	8.1	7.7
	<u>26.8</u>	<u>151.2</u>	<u>34.5</u>	<u>107.9</u>

² Represented by foreign currency swap and forward contracts

Notes to the Financial Statements continued

23 Financial Instruments continued

	2022 Group £m	2021 Group £m	2022 Company £m	2021 Company £m
Financial liabilities				
Financial liabilities at fair value through P&L:				
Derivative financial instruments	0.1	1.0	0.1	1.1
Other financial liabilities measured at amortised cost:				
Lease obligations	102.2	127.7	100.4	125.1
Bank borrowings (current)	2.8	5.2	2.8	5.2
Bank borrowings (non-current)	0.4	2.7	0.4	2.7
Loans due to fellow group undertakings	39.2	34.8	39.2	34.8
Loans due to fellow subsidiary undertakings	-	-	46.3	15.6
Loans due to other group undertakings	34.7	-	34.7	-
	<u>179.4</u>	<u>171.4</u>	<u>223.9</u>	<u>184.5</u>

The methods and assumptions used to determine the fair value of financial assets and liabilities are set out below. All material changes in fair value of financial instruments as at the balance sheet date have been taken to the Statement of Profit or Loss. Impairment reviews did not identify any material impairment of financial assets from carrying values as reported at the balance sheet date and, as such, no material impairments are included in the Statement of Profit or Loss.

Fair Value Methods and Assumptions

Current and non-current investments - the fair value of listed investments is based on year-end quoted market prices.

Forward foreign exchange contracts (swaps and forwards) - the fair value of forward foreign currency contracts is determined with reference to observable yield curves and foreign exchange rates at the reporting date. The FX contracts outstanding with banks at the year-end had a maturity of two years or less.

Embedded foreign exchange contracts - the fair value of embedded foreign exchange instruments is determined on initial recognition at quoted market forward exchange rates at inception of the contract and subsequently remeasured based on quoted forward rates at the reporting date.

Loans - the carrying value of loans outstanding at the reporting date is deemed to be a reasonable approximation to fair value given the nominal value and maturity of these instruments.

Notes to the Financial Statements continued

23 Financial Instruments continued

Fair Value Hierarchy

For financial assets and financial liabilities measured at fair value, as set out in the tables above, the fair value measurement techniques are based upon applying unadjusted, quoted market rates or prices or inputs other than quoted prices that are observable for the assets or liability either directly or indirectly. IFRS 13 'Financial Instruments: Disclosures' requires financial instruments measured at fair value to be analysed into a fair value hierarchy based upon the valuation technique used to determine fair value. The highest level in this hierarchy is Level 3 within which inputs that are not based on observable market data for the asset or liability are applied.

The valuation techniques used by the Group for the measurement of listed investments are within Level 1, using current quoted market prices; valuation techniques for derivative financial instruments and loans are within Level 2, which includes inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

The carrying value at the balance sheet date for the Groups listed investments, derivatives financial instruments and loans is the same as the fair value.

24 Financial Risk Management Objectives and Policies

The principal financial risks that the Group is exposed to are interest rate, liquidity, credit and foreign exchange. Each of these risks is managed in line with Board-approved policies.

Interest Rate Risk

The Group has chosen to adopt a short-term risk-averse policy to interest rate risk management. On an annual basis the Group's interest rate exposure is identified and the need to hedge the interest charge against interest rate movements reviewed against budgeted profitability targets and the existence of any key financial covenants. Where interest rate risk is considered to be material within the current planning horizon, hedging instruments (interest rate swaps and FRA's) are permitted under hedging policy parameters. For the current reporting period there were no hedging instruments in place as the extent of the exposure was not considered to present a material risk to achievement of profitability targets or breach of financial covenants.

Most the Group's interest-bearing investments and borrowings are subject to floating rates of interest. Interest on short-term borrowing facilities is typically priced at Fujitsu EMEA PLC's funding rate plus a margin and interest on short term money market investments on the Group's consolidated Sterling cash surpluses benchmarked against the appropriate market reference rate.

Notes to the Financial Statements continued

24 Financial Risk Management Objectives and Policies continued

Fixed rate borrowings are also utilised, principally for asset finance arrangements, and interest rates are usually agreed as part of the overall procurement deal.

As at 31 March 2022, the Group's total gross interest-bearing borrowings, including amounts due to banks and fellow subsidiary undertakings, amounted to £42.4m (2021 - £42.6m). The non-interest-bearing short-term loans were £nil (2021 - £0.1m).

Liquidity Risk

As at 31 March 2022 the Group's cash balance amounted to £13.7m (2021 - £78.0m), comprising mainly balances on accounts participating in the Group's centralised cash-pooling arrangements in the UK, some local bank balances not available for pooling. The amount of bank borrowings repayable on demand as at March 2022 is £nil (2021 - £nil), as shown in Note 19. In addition, the Group maintains a range of committed and uncommitted bank borrowing as at 31 March 2022, as well as access to intra-group borrowings through Fujitsu EMEA PLC, which operates the Fujitsu Limited Group's Medium Term Note programme, to source additional funding, if required. Fujitsu Services' funding needs are reviewed bi-annually and a maximum gross borrowing requirement determined for planning purposes. Fujitsu Services also seeks to maintain headroom against its agreed borrowing facilities to ensure adequate liquidity is maintained in the event of unexpected Cash Flows or volatility. Target headroom against available facilities is monitored by Group Treasury on a monthly basis. Furthermore, the Company's ultimate parent, Fujitsu Limited, has also committed to provide additional financial support, should this be required, to the Company and its wholly owned subsidiaries to enable them to continue to trade without a significant curtailment of activities for a period of at least 12 months from the reporting date, or from the date of approval of these Financial Statements, if later.

The following are the contractual maturities of financial liabilities of the Group, including interest payments and excluding the impact of netting agreements. Table also includes the maturity analysis for the position of the forward foreign currency swaps and forward contracts:

Notes to the Financial Statements continued

24 Financial Risk Management Objectives and Policies continued

As at 31 March 2022

	Falling due					
	Carrying value £m	Contractual cashflows £m	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	After more than 5 years £m
Financial liabilities:						
Trade and other payables	286.9	(286.9)	(286.4)	(0.5)	-	-
Bank borrowings	3.2	(3.2)	(2.8)	(0.4)	-	-
Loans due to fellow group	39.2	(39.2)	(39.2)	-	-	-
Forward foreign currency swap and forward contracts:						
Fair value of foreign exchange derivative instruments ³	(0.8)					
Outflows		(33.8)	(33.8)	-	-	-
Inflows		34.6	34.6	-	-	-
		0.8	0.8	-	-	-
Total	328.5	(328.5)	(327.6)	(0.9)	-	-

*Bank borrowings repayable on demand and lease obligations are not included the table. Maturity analysis for lease obligations is shown in Note 20.

As at 31 March 2021

	Falling due					
	Carrying value £m	Contractual cashflows £m	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m
Financial liabilities:						
Trade and other payables	241.8	(241.8)	(241.0)	(0.8)	-	-
Bank borrowings	7.9	(7.9)	(5.2)	(2.5)	(0.2)	-
Loans due to fellow group	34.8	(34.8)	(34.8)	-	-	-
Forward foreign currency swap and forward contracts:						
Fair value of foreign exchange derivative instruments	(0.5)	-	-	-	-	-
Outflows		(195.1)	(189.4)	(5.7)	-	-
Inflows		195.6	189.7	5.9	-	-
		0.5	0.3	0.2		
Total	284.0	(284.0)	(280.7)	(3.1)	(0.2)	-

*Bank borrowings repayable on demand and lease obligations are not included the table. Maturity analysis for lease obligations is shown in Note 20.

³ Refer to notes 18 - Trade and Other receivables and 21 - Trade and Other payables.

Notes to the Financial Statements continued

24 Financial Risk Management Objectives and Policies continued

Credit Risk

Exposure to financial counterparty risk is controlled by Fujitsu Europe Group Treasury by establishing and monitoring counterparty limits. Credit limits are determined which reflect the creditworthiness of the counterparty and the risk appetite of Fujitsu Services. The overall philosophy is risk averse with preservation of capital and liquidity overriding return. Financial counterparties for centrally managed funds (money market investments and borrowings) and foreign exchange transactions are typically Fujitsu Group relationship banks with a long-term credit rating of at least 'A' or above.

Dealing volume and value of derivative instruments (mainly foreign exchange forwards and swaps) is relatively low and is not considered to require a sophisticated credit exposure methodology. Transactions of this nature are dealt with Fujitsu relationship banks, up to credit limits determined by these banks.

Trade receivable exposures are managed by the Europe Credit Risk Management team with specialist responsibility for managing trade credit risk exposure for the Group, in line with the Europe Credit Risk Management Policy, which sets out the Group's approach to credit risk management including risk assessment, payment terms and credit limit parameters and approval requirements. Additional approved techniques are also available to mitigate credit risk, where appropriate, such as bank and corporate guarantees, Letters of Credit and advance payments. Credit insurance coverage is not widely available across the Group but provides limited coverage for product-related business in the UK, expected to be extended into the Nordic countries later this year. The CRM Policy seeks to minimise credit risk exposure for the Group and to ensure that appropriate measures are taken to monitor exposures against pre-determined credit limits and trading terms.

All of the Group's trade and other receivables are regularly reviewed for indicators of impairment. The credit risk exposure inherent in the Group's trade receivables is measured and recognised as an impairment provision on initial recognition, based on the Expected Credit Loss method, as required by IFRS 9. Specific provision for impairment may also be required where a specific increase in credit risk is identified, or a credit event has occurred. Other factors may also impact recoverability of trade receivables, such as contractual disputes or adjustments required to service charges, and these are considered separately in terms of adjustment to the carrying amount of each receivable.

Notes to the Financial Statements continued

24 Financial Risk Management Objectives and Policies continued

Provision for general credit risk exposure is not measured with reference to the age of a receivable although debts which are overdue present a specific impairment risk indicator regarding recoverability. Details of trade receivable ageing are set out below, including the total of impairment provisions recognised against recoverability of the gross value of these receivables.

	2022 Group £m	2021 Group £m	2022 Company £m	2021 Company £m
Not yet due	226.8	190.3	217.6	182.8
Overdue:				
Up to 30 days	2.2	14.3	2.1	14.3
31 to 60 days	0.4	1.2	0.3	1.1
61 to 90 days	-	1.2	-	0.7
91 to 180 days	0.1	2.5	0.1	1.8
More than 180 days	1.3	1.7	1.3	1.7
Total gross trade receivables	230.8	211.2	221.4	202.4
Impairment provisions	(6.3)	(7.4)	(6.3)	(7.4)
Total net Receivables	224.5	203.8	215.1	195.0

General provision for impairment due to credit risk exposure is measured and recognised on initial recognition based on the Group's assessment of Expected Credit Losses (ECLs) for certain categories of financial asset, including trade receivables, in accordance with IFRS 9. The Directors consider the carrying value of receivables, after allowance for impairment provisions, to be recoverable based on a general assessment of credit quality and assessment of specific recoverability risks where impairment indicators have been identified through the Group's credit risk management processes.

Included in the Group's trade receivables are customer invoices with a gross carrying value of £1.4m (2021 - £4.2m) which are more than three months past due and have been considered for specific impairment risk. Of the total receivables not yet due, £104.4m (2021 - £100.8m) have not yet been invoiced, which is a feature of the Group's Services business where ongoing services are invoiced in arrears and/or other charges are raised under contractual payment arrangements which allow for invoicing after the contractual performance obligations have been satisfied and revenue recognised.

Notes to the Financial Statements continued

24 Financial Risk Management Objectives and Policies continued

A further £122.4m (2021 - £85.9m) of invoiced receivables are still within payment terms, representing a total of £226.8m (98%) (2021 - £190.3m (90%)) of gross trade receivables.

In total the Group has recognised impairment provisions of £6.3m (2021 - £7.4m), against trade receivables.

This includes a total of £6.2m (2021 - £6.0m) of specific provisions for impairment due to increased default risk, unresolved disputes and estimated credit notes due to customers, as well as provision for expected credit losses of £0.1m (2021 - £0.3m).

Across the Group general expected credit loss risk has been assessed to be low due to the size, nature and diversification of customers across both the public and private sectors, as well as rigorous on-boarding processes run by the Group's credit risk management team. The Group's actual credit loss experience is also low due to the credit quality of its customer base, which includes large and medium-sized private sector businesses, public sector organisations and central government departments. To illustrate, in the UK, which holds the largest customer portfolio in the Group, approximately 59% (2021 - 51%) of invoiced receivables at the reporting date to customers outside the Fujitsu group were attributable to public sector and government customers. A general credit risk provision of 0.3% (2021 - 0.3%) is applied to private sector customer debts, excluding fellow and other Fujitsu group undertakings, from initial recognition.

At the end of the previous year, a specific forward-looking, credit loss provision of £1.1m had been recognised against receivables of £13.4m, due from customers in specific industry sectors impacted by the Coronavirus pandemic, including retail, hospitality and travel. The provision was established at 31 March 2020 when this specific risk was first identified and a provision of £3.4m was recognised against receivables of £34m. At 31 March 2022 there is no longer a specific credit loss provision held for this risk.

Foreign Exchange Risk

The Group uses foreign currency forwards to hedge specific foreign currency transactional exposures and foreign currency swaps to manage exchange risk arising on foreign currency cash management activities. All foreign currency hedging transactions represent operational hedging and not hedging from an accounting perspective. Hedge accounting has not been adopted.

The Group's functional currency is UK Pound Sterling ("GBP") and profitability and financial position of the Group is measured with reference to this currency. As a result of its international operations Fujitsu Services' operating entities in the UK and overseas are exposed to foreign exchange transaction exposure. Where appropriate operating units can hedge transactional exposures with Group Treasury to minimise foreign exchange exposures and ensure that annual budgetary targets or target profit margins on specific commercial contracts are achieved. It is not the Group's policy to enter into any speculative transactions and committed and uncommitted transactional exposures can only be hedged within predetermined hedge parameters when reasonable certainty regarding the hedged items has been established.

Notes to the Financial Statements continued

24 Financial Risk Management Objectives and Policies continued

Foreign currency transaction risk for the Group, including remeasurement of foreign currency receivables and payables, is not significant. Revenues are mainly denominated in the local currency of each subsidiary and foreign currency expenditure is generally not a significant portion of each entity's cost base. Foreign currency risk exposures identified as significant can be hedged with Group Treasury, using forward foreign exchange contracts.

At the balance sheet date forward foreign currency contracts representing transactional hedges for the UK business were outstanding as follows:

	2022 £m	2021 £m
Revenue hedges (£ equivalent at closing rate)	1.1	4.6
Expenditure hedges (£ equivalent at closing rate)	<u>17.3</u>	<u>37.4</u>

The contracts represent the value of foreign currency transactions expected to arise within the next 1-2 years, hedged in line with Group Treasury hedging policy.

All material financial instruments, including derivatives, denominated in a foreign currency, are revalued monthly at current market exchange rates and gains/(losses) recognised in the Statement of Profit or Loss.

Foreign currency sensitivity analysis

The Group derives approximately 96% (2021 - 94%) of its revenue and 89% (2021 - 89%) of its costs in GBP and is therefore not sensitive to movements in exchange rates.

Interest Rate Sensitivity Analysis

During the year the Group has funded its operations principally through utilisation of cash and short-term, floating rate debt. The Group is therefore sensitive to movements in interest rates. Funding is arranged centrally by Group Treasury and denominated mainly in GBP. Other financial arrangements entered into with the Group's parent or fellow subsidiary undertakings are largely non-interest bearing. Those arrangements that are interest-bearing relate to balances with other wholly owned subsidiary undertakings of Fujitsu Services Holdings PLC, are managed centrally by Group Treasury and are not considered to represent a material financial risk to the Group or its ongoing operations.

A 1% increase in interest rates during the year would not have materially impacted the Group's Finance expenses for the year ended 31 March 2022 (2021: £0.3m).

Notes to the Financial Statements continued

24 Financial Risk Management Objectives and Policies continued

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders as well as sustaining the future development of the business. In order to maintain or adjust the capital structure, the Group may adjust the total amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's overall strategy remains unchanged from the previous financial year. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 20, cash and cash equivalents and equity attributable to the parent, comprising share capital, reserves and retained earnings as disclosed in Note 19 and the Statement of Changes in Equity respectively.

Retirement Benefit Assets/Obligations

Expenses and obligations for employee retirement benefits are calculated according to a variety of actuarial assumptions. If actual experience differs from these assumptions, or if the underlying assumptions themselves change, there is the risk that this will affect the amount of expense or retirement obligations which is disclosed in Note 28.

Other Risks

Other principal risks faced by Fujitsu Services are set out in the Directors' Report.

Interest-bearing Loans and Borrowings

Effective Interest Rates and Re-Pricing Analysis

In respect of the Group's interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature or, if earlier, are re-priced.

As at 31 March 2022	Effective interest rate %	Total £m	< 1 year £m	1 to 2 years £m	2 to 5 years £m	> 5 years £m
Bank borrowings	Note (b)	3.2	2.8	0.4	-	-
Amounts due to fellow subsidiary	Note (c)	39.2	39.2	-	-	-
Total		42.4	42.0	0.4	-	-
As at 31 March 2021	Effective interest rate %	Total £m	< 1 year £m	1 to 2 years £m	2 to 5 years £m	> 5 years £m
Bank borrowings repayable on demand	Note (a)	7.8	5.1	2.5	0.2	-
Amounts due to fellow subsidiary	Note (c)	34.8	34.8	-	-	-
Total		42.6	39.9	2.5	0.2	-

Notes to the Financial Statements continued

24 Financial Risk Management Objectives and Policies continued

Note (a) Bank borrowings repayable on demand are represented by arrangements for short-term cash management and liquidity requirements, including overseas where foreign exchange markets are not sufficiently liquid. In addition, debit balances can also arise as part of the Fujitsu Services Group's notional cash pooling arrangement for group companies, which allows for effective cash concentration and funding for short-term borrowing requirements for participating entities. Net funding and investing requirements of the pool are managed centrally by Group Treasury on a net basis.

Note (b) Bank borrowings are payable by fixed annual instalments and represent specific financing arrangements in the UK.

Note (c) Interest-bearing amounts due to fellow subsidiary undertakings are short term with a maturity of three months or less. Interest rates are floating, based upon appropriate market reference rates plus a fixed margin, as agreed in the terms of each inter-group lending facility. As at 31 March 2022 applicable rates for the period were as follows:

- (1) Sterling loans – £25.0m at 0.18% (2021 - £20.4m at 0.20%)
- (2) Euro loans – £nil (2021 - £nil)
- (3) Swedish Kroner loans – £14.2m at 0.0% (2021 - £14.4m at 0.0%). Reference rates were negative for both years ended 31 March 2022 and 2021 and no interest was applied.

25 Provisions

Group	Restructuring £m	Property-related provisions £m	Other provisions £m	Total £m
At 31 March 2021	18.3	17.9	13.1	49.3
Exchange adjustments	-	-	(0.1)	(0.1)
Charged to the Statement of Profit or Loss	3.8	6.8	31.2	41.8
Provisions utilised during year	(15.5)	(8.2)	(8.1)	(31.8)
Provisions released during the year	(2.8)	(0.6)	(6.8)	(10.2)
At 31 March 2022	3.8	15.9	29.3	49.0
As at 31 March 2022				
Non-current liabilities	-	14.5	2.4	17.1
Current liabilities	3.8	1.4	26.9	31.9
	3.8	15.9	29.3	49.0
As at 31 March 2021				
Non-current liabilities	-	9.6	-	9.6
Current liabilities	18.3	8.3	13.1	39.7
	18.3	17.9	13.1	49.3

Notes to the Financial Statements continued

25 Provisions continued

Company	Restructuring	Property-related provisions	Other provisions	Total
	£m	£m	£m	£m
At 31 March 2021	18.3	17.3	13.2	48.8
Charged to the Statement of Profit or Loss	3.8	6.8	17.6	28.2
Provisions utilised during year	(15.4)	(8.2)	(8.1)	(31.7)
Provisions released during the year	(2.8)	(0.6)	(3.7)	(7.1)
At 31 March 2022	3.9	15.3	19.0	38.2
As at 31 March 2022				
Non-current liabilities	-	14.1	-	14.1
Current liabilities	3.9	1.2	19.0	24.1
	3.9	15.3	19.0	38.2
As at 31 March 2021				
Non-current liabilities	-	9.1	-	9.1
Current liabilities	18.3	8.2	13.2	39.7
	18.3	17.3	13.2	48.8

Restructuring provisions relate to the cost of strategic restructuring programmes for which legal and constructive obligations have been established and include employee termination costs for programmes requiring headcount rationalisation, in line with local employee consultation procedures, where required.

Property-related provisions relate mainly to dilapidation costs necessary for restoring the properties to its original condition at the end of the lease agreement. Vacant space provisions for leased properties that are recognised in the Statement of Financial Position based on IFRS 16 are being offset to the cost of the right-of-use asset recognised at the balance sheet date.

Other provision represents mainly onerous contract provisions which are recognised when the benefits expected to be derived by the Group from a contract are lower than the unavoidable costs of fulfilling the related contractual obligations.

26 Called up Share Capital

	2022 £m	2021 £m
Issued and fully paid		
1,204,492,875 (2021 - 1,204,492,875) ordinary shares of £1	1,204.5	1,204.5

Notes to the Financial Statements continued

27 Contingent Liabilities

Guarantees are issued by the Group in the normal course of business including contractual performance, facility, tax and rental guarantees. Having regard to the amounts already provided in the Financial Statements in connection with obligations of this nature, no further liabilities are expected to arise.

The majority of guarantees issued to third parties by the Company are in respect of bank and other borrowings by subsidiary companies.

No assets have been pledged as security in respect of any unrecognised contingent liabilities.

The Company participates in a notional cash pooling arrangement with its parent, Fujitsu Services Holdings PLC and other wholly owned fellow subsidiary undertakings of FSH. Under this arrangement all members of the pool are jointly and severally liable for default by any member.

28 Employee Benefit Obligations

The Group has a number of defined benefit pension schemes in the UK, as well as a range of defined contribution arrangements providing post-retirement benefit to employees.

Defined contribution pension benefits are linked to contributions paid and the performance of the chosen investments at retirement. Contributions are paid into an independently managed fund based on a fixed percentage of employees' pay. The employer has no exposure to investment risks or other risks associated with the plan. Total contributions paid by the Group in respect of the defined contribution schemes are charged to the Statement of Profit or Loss as incurred and amounted to £53.6m for the year ended 31 March 2022 (2021 - £36.6m). The employing company also pays the cost for administration and risk benefits.

Defined benefit pension benefits at retirement are determined by the plan rules based on factors such as age, years in service and pensionable pay. It is not dependent on the contributions made by the employer or employees. The company sponsor is exposed to investment, inflation, longevity and other experience risks and may need to make additional contributions if it is estimated that the pension obligations will exceed the value of pension assets including future contributions and investment returns.

In the UK, defined benefit pension plans are closed to new entrants and to future benefit accrual, with the exception of one scheme which is structured to provide comparable defined benefits to employees joining Fujitsu under specific outsourcing arrangements. Defined benefit plans are set up under trusts which ensure the assets are kept separate from the finances of the sponsoring company. A committee of the board of Fujitsu Services Limited provides overall direction on pension arrangements in the UK.

Notes to the Financial Statements continued

28 Employee Benefit Obligations continued

The trustees of the plans are responsible for ensuring that the plans are operated correctly, for the benefit of members, in accordance with the trust deeds and other plan rules and in accordance with applicable legislation. In accordance with the rules of the defined benefit plans, the company has the right to a refund of surplus.

Accounting for the Group's defined benefit pension plans and related disclosures is prepared in accordance with IAS 19 'Employee Benefits'.

The weighted average duration of the defined benefit obligations is 16.3 years (2021 - 17 years).

Liabilities of defined benefit plans are measured at the present value of the estimated future cash flows required to settle the future benefit obligation resulting from employee service in the current and prior periods, using the projected unit credit method. An actuarial valuation of the UK's defined benefit plans is carried out annually by a professionally qualified, independent actuary. The expected future benefit payments are based on assumptions including inflation, retirement age and life expectancy. The key financial assumptions used to measure the plans liabilities are summarised in the table below, as follows:

	2022 Assumptions	2021 Assumptions
	% pa	% pa
Discount rate	2.15	2.15
Rate of price inflation	3.20	3.20
Rate of compensation increase	2.95	2.95
Rate of pension increase (in-payment)	2.95	2.95
Rate of pension increase (in-deferment)	3.17	3.17

IAS 19 requires that the discount rate is determined by reference to market yields based on high quality corporate bonds. The discount rate is, therefore, based upon the local currency yields available on AA-rated corporate bonds with terms that match those of the pension liabilities, or estimated for longer maturities based on current market yield curves. The discount rate is sourced from RATE:Link, a proprietary model developed by the actuary, Willis Towers Watson, to select appropriate bonds and derive the yield curve.

The net benefit (credit)/expense recognised in profit or loss in relation to defined benefit pension schemes comprised the following:

Notes to the Financial Statements continued

28 Employee Benefit Obligations continued

	2022 Group £m	2021 Group £m	2022 Compan £m	2021 Compan £m
Current service cost	3.0	3.2	3.0	3.2
Past service cost	(0.3)	0.7	(0.3)	0.7
Total service cost	2.7	3.9	2.7	3.9
Interest cost on defined benefit obligations	104.7	111.0	100.5	106.7
Interest income on plan assets	(119.1)	(132.5)	(114.5)	(127.4)
Net interest income on net defined benefit	(14.4)	(21.5)	(14.0)	(20.7)
Administration costs and taxes	5.1	4.7	4.7	4.5
Total (credit)/expense before deduction of tax	(6.6)	(12.9)	(6.6)	(12.3)
Recognised in Statement of profit or loss as				
Cost of sales	(4.9)	(9.7)	(5.0)	(9.2)
Administration	(1.7)	(3.2)	(1.7)	(3.1)
Total	(6.6)	(12.9)	(6.6)	(12.3)

Past service cost in the prior year includes £0.5m in relation to a further increase in liabilities relating to GMP equalisation, following an initial expense of £4.8m recognised in the year to 31 March 2019.

Plan assets are administered separately by appointed trustees for each scheme. As at 31 March 2022 the value of the net defined benefit pension asset recognised in the Consolidated Statement of Financial Position, comprised the following:

	2022 Group £m	2021 Group £m	2022 Company £m	2021 Company £m
Present value of defined benefit obligations – funded plans	(4,865.4)	(4,958.5)	(4,679.0)	(4,761.6)
Present value of defined benefit obligations – unfunded plans	(10.6)	(11.6)	(10.3)	(11.6)
Defined benefit obligations	(4,876.0)	(4,970.1)	(4,689.2)	(4,773.2)
Fair value of plan assets	5,604.9	5,615.6	5,387.2	5,402.6
Net defined benefit pension asset recognised in the Statement of Financial Position	728.9	645.5	698.0	629.4

Cumulative actuarial gains and losses on remeasurement of the Group's defined benefit pension plans have been recognised immediately through Other Comprehensive Income, in accordance with the requirements of IAS 19.

The value of the net defined benefit pension asset recognised by the Group increased during the year by £83.4m. This increase was driven primarily by a net actuarial gain of £32.5m, in addition to employer contributions of £44.3m and net benefit pension credit recognised in profit or loss of £6.6m.

Notes to the Financial Statements continued

28 Employee Benefit Obligations continued

In the Company, the value of the net defined benefit pension asset increased by £68.6m. This increase was driven primarily by net actuarial gain of £19.7m, in addition to employer contributions of £42.3m and net benefit pension credit recognised in profit or loss of £6.6m.

The investment strategies and risk management policy adopted by the Trustees of the Group's defined benefit plans are focused on reducing risk associated with funding long-term benefit obligations. Investment in corporate bonds and similar instruments, as part of an asset-liability matching strategy, seeks to closely align the changing value of assets and liabilities over time.

Changes in the present value of the defined benefit obligation

	2022	2021	2022	2021
	Group	Group	Company	Company
	£m	£m	£m	£m
Opening defined benefit obligation	4,970.1	4,454.7	4,773.2	4,283.2
Current service cost	3.0	3.2	3.0	3.2
Past service cost	(0.3)	0.7	(0.3)	0.7
Interest cost	104.7	111.0	100.5	106.7
Plan participant contributions	-	0.1	-	0.1
Actuarial gain/(loss) due to experience	71.0	(31.7)	68.1	(31.7)
Actuarial loss/(gain) due to demographic assumption changes	141.2	(2.4)	142.3	(2.2)
Actuarial (gain)/loss due to financial assumption changes	(220.7)	632.2	(212.1)	602.3
Benefits paid	(192.0)	(196.6)	(184.5)	(188.0)
Benefits paid directly by Group	(1.0)	(1.1)	(1.0)	(1.1)
Closing defined benefit obligation	4,876.0	4,970.1	4,689.2	4,773.2

Changes in the fair value of the plan assets

	2022	2021	2022	2021
	Group	Group	Company	Company
	£m	£m	£m	£m
Opening fair value of assets	5,615.6	5,273.6	5,402.6	5,069.6
Employer contributions	44.3	44.1	42.3	42.1
Plan participant contributions	-	0.1	-	0.1
Benefits paid	(193.0)	(197.7)	(185.5)	(189.1)
Interest income on plan assets	119.1	132.5	114.5	127.4
Return on plan assets in excess of interest	24.0	367.7	18.0	357.0
Administration costs and taxes	(5.1)	(4.7)	(4.7)	(4.5)
Closing fair value of plan assets	5,604.9	5,615.6	5,387.2	5,402.6

As illustrated in the tables above, liabilities of the Group schemes decreased by £94.1m this year, compared to an increase of £515.4m in the prior year. This reflects the changes in actuarial assumptions in both years.

Notes to the Financial Statements continued

28 Employee Benefit Obligations continued

In the prior year financial assumptions were readjusting to the sharp response of the financial markets to Coronavirus concerns in March 2020. In the current year, changes to financial assumptions were less significant and updates to demographic assumptions had an offsetting effect on the valuation of liabilities. Asset values decreased this year by £10.7m, in more stable market conditions than the previous year, but still delivered excess return and also benefited from cash contributions from the Group. Overall asset values did not fall by as much as liabilities and the net pension asset increased by £83.4m to £728.9m at 31 March 2022. In the previous year, assets performed well against the significant increase in liabilities, driven by strong asset returns, which helped to offset the impact on the net pension asset which decreased overall by £173.4m from a valuation of £818.9m at 31 March 2020 to £645.5m at 31 March 2021.

Longer-term funding targets of the plans are all improving, supported by sound asset-liability matching and other risk management strategies implemented by the Trustees.

Under IAS 19 plan assets must be valued at the bid market value at the balance sheet date for the main asset categories. The fair values of plan assets are analysed by asset category in the table below and are subdivided into assets with quoted prices on an active market and assets with no quoted market price.

Group	Asset Fair Value 2022				Asset Fair Value 2021			
	Quoted market price	No quoted market price	Total		Quoted market price	No quoted market price	Total	
The major categories of assets are as follows:	£m	£m	£m	%	£m	£m	£m	%
Equities	1.8	188.1	189.9	3	4.3	187.0	191.3	3
Bonds	3,405.5	443.8	3,849.3	70	3,683.5	198.5	3,882.0	69
Real Estate	-	193.5	193.5	3	-	214.7	214.7	4
Liability Driven	15.2	1,285.4	1,300.6	23	33.1	1,245.2	1,278.3	23
Other	49.3	22.3	71.6	1	57.4	(8.1)	49.3	1
Total plan assets	3,471.8	2,133.1	5,604.9	100	3,778.3	1,837.3	5,615.6	100

Company	Asset Fair Value 2022				Asset Fair Value 2021			
	Quoted market price	No quoted market price	Total		Quoted market price	No quoted market price	Total	
The major categories of assets are as follows:	£m	£m	£m	%	£m	£m	£m	%
Equities	-	149.5	149.5	3	-	142.5	142.5	3
Bonds	3,315.6	386.0	3,701.6	69	3,547.6	189.0	3,736.6	69
Real Estate	-	185.2	185.2	3	-	205.9	205.9	4
Liability Driven	15.2	1,285.4	1,300.6	24	33.0	1,229.7	1,262.7	23
Other	39.0	11.3	50.3	1	54.9	-	54.9	1
Total plan assets	3,369.8	2,017.4	5,387.2	100	3,635.5	1,767.1	5,402.6	100

Notes to the Financial Statements continued

28 Employee Benefit Obligations continued

Liability Driven Investments represent a portfolio of debt instruments and swap instruments designated to hedge interest rate and inflation risks of the pension scheme obligations.

Remeasurement of the net defined benefit obligation is recognised in full in the Group's Statement of Other Comprehensive Income as an actuarial gain or loss in the year in which it arises. This is comprised of the change in value of defined benefit obligation due to changes in mortality rates, interest rates, inflation rates and other demographic assumptions and experience, as presented below:

Remeasurement effects recognised directly in other comprehensive income

	2022	2021	2022	2021
	Group	Group	Company	Company
	£m	£m	£m	£m
Actuarial gain due to Experience on DBO	71.0	(31.7)	68.1	(31.7)
Actuarial loss/(gain) due to Demographic Assumption Changes in DBO	141.2	(2.4)	142.3	(2.2)
Actuarial (gain)/loss due to Financial Assumption Changes in DBO	(220.7)	632.2	(212.1)	602.3
Return on plan assets in excess of interest income	(24.0)	(367.7)	(18.0)	(357.0)
	<u>(32.5)</u>	<u>230.4</u>	<u>(19.7)</u>	<u>211.4</u>

Sensitivity Analysis and Assumptions

Actuarial assumptions including discount rate, inflation rate, salary increases and life expectancy all have a significant effect on the measurement of defined benefit obligations. The following table provides an indication of the sensitivity of these assumptions:

Group		2022			2021		
		Increase	Decrease	Average	Increase	Decrease	Average
Discount	0.1% change	76.0	78.0	77.0	81.8	83.8	82.8
Mortality	1yr change	184.1	184.1	184.1	201.7	201.7	201.7
Inflation Rate	0.1% change	44.1	43.1	43.6	54.0	53.0	53.5

Company		2022			2021		
		Increase	Decrease	Average	Increase	Decrease	Average
Discount	0.1% change	73.0	75.0	74.0	78.5	80.4	79.5
Mortality	1yr change	176.5	176.5	176.5	193.5	193.5	193.5
Inflation Rate	0.1% change	42.4	41.5	42.0	51.9	50.9	51.4

The mortality assumptions adopted for members of the schemes are based on the SAPS (Self-administered pension scheme) tables with adjustments to reflect the experience of pensioners.

Notes to the Financial Statements continued

28 Employee Benefit Obligations continued

Expected future life expectancy for a current member aged 65 (years)

	Men	Women	Average
ICL Group Pension Plan	23.1	24.9	24.0
Fujitsu Comparable Scheme	21.9	24.3	23.1
FTS Plan	22.0	24.2	23.1
FTEL Plan *	21.3	23.3	22.3

*The FTEL Plan is part of the Group only.

Employer contributions made to defined benefit pension schemes during the year ended 31 March 22 are made up of ordinary contributions and deficit contributions as follows:

	2022 Group £m	2021 Group £m	2022 Company £m	2021 Company £m
Ordinary contributions	4.2	5.6	4.2	5.6
Deficit contributions	40.1	38.5	38.1	36.5
Total contributions in the year	44.3	44.1	42.3	42.1

Deficit contributions of £49m are payable for the following year to 31 March 2023. Funding requirements are reassessed by the Trustees every three years and tri-annual valuations for the three largest UK defined benefit plans, with a valuation date of 31 March 2021, were completed this year. No changes were made to the agreed schedules of deficit contributions for these plans. Total contributions amounting to £521m are payable in annual instalments over the next 10 years to March 2032, however latest Trustee valuation reports indicate a significant improvement in funded status. Full funding on a Trustee valuation basis is expected to be reached significantly earlier due to strong investment performance. A shorter deficit recovery period of approximately 4 years to March 2026 would significantly reduce cash contributions to approximately £200m.

Notes to the Financial Statements continued

29 Related Parties

Identity of Related Parties

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

- Its subsidiaries (see Note 33)
- Its directors (see Note 12)
- Its key management personnel (see below)
- Its parent, Fujitsu Services Holdings PLC
- Its fellow subsidiary undertakings of Fujitsu Services Holdings PLC
- Its ultimate parent company, Fujitsu Limited (see note 32) and other Fujitsu group companies
- Its pension funds (Note 28)

Emoluments of key management personnel, including directors

	2022	2021
	£000	£000
Short-term benefits	4,608	4,546
Post-employment benefits	65	76
Share-based payments	1,034	-
	<u>5,707</u>	<u>4,622</u>

Key management personnel (KMP) are those having both authority and responsibility for planning, directing and controlling the activities of the Group, represented primarily by the Directors as well as additional personnel with a similar span of authority and management responsibility across the Group. In addition to the Directors, KMP of the Group include the senior business line leaders, who are supported by a wider group of Fujitsu Global Corporate and Global Delivery specialists, drawn from Fujitsu's extensive global matrix organisation, and together contribute to achievement of the Group's strategic, operational and governance activities in accordance with specific authorities delegated by the Board.

Trading Transactions

The Group trades with fellow subsidiary companies within the Fujitsu Services Holdings PLC Group and also with Fujitsu Limited and other group companies within the wider Fujitsu Group. The Company has transactions and balances arising from these trading activities as set out in the following tables:

Notes to the Financial Statements continued

29 Related Parties continued

Trade Receivables

	2022	2021	2022	2021
	Group	Group	Company	Company
	£m	£m	£m	£m
Amount due from fellow group undertakings				
Fujitsu Finland Oy	1.4	1.3	1.4	1.3
Fujitsu A/S	-	0.3	-	0.3
Fujitsu Sweden AB	1.1	1.0	1.1	1.0
Fujitsu Norway AS	-	-	-	-
Fujitsu EMEA Shared Services Limited	2.5	4.9	2.5	4.8
Other balances	-	1.6	17.8	20.2
	<u>5.0</u>	<u>9.1</u>	<u>22.8</u>	<u>27.6</u>
 Amount due from fellow subsidiary undertakings – company only				
Fujitsu Telecommunications Europe Limited	-	-	1.4	0.6
Fujitsu (Ireland) Limited	-	-	-	1.6
	<u>-</u>	<u>-</u>	<u>1.4</u>	<u>2.2</u>
 Fujitsu Services Holdings PLC group	<u>5.0</u>	<u>9.1</u>	<u>24.2</u>	<u>29.8</u>
 Amounts due from other group undertakings				
Fujitsu Limited	27.2	14.1	27.2	14.1
Fujitsu Technology Solutions (Holding) B.V.	12.8	14.4	12.8	14.2
Fujitsu Asia Pte Limited	0.4	0.2	0.4	0.2
Fujitsu America Inc	1.1	0.7	1.1	0.6
Fujitsu Australia Ltd	1.0	2.2	1.0	2.2
Fujitsu Consulting India Private Ltd	2.4	4.1	2.4	4.1
Other balances	1.4	2.8	1.4	2.9
	<u>46.3</u>	<u>38.5</u>	<u>46.3</u>	<u>38.3</u>

These balances are reported within amounts due from fellow subsidiary undertakings, fellow group undertakings and other group undertakings, as set out in Note 18.

Notes to the Financial Statements continued

29 Related Parties continued

Trade Payables

	2022	2021	2022	2021
	Group	Group	Company	Company
	£m	£m	£m	£m
Amount due to parent undertaking				
Fujitsu Services Holdings PLC	3.3	3.5	3.2	3.3
	<u>3.3</u>	<u>3.5</u>	<u>3.2</u>	<u>3.3</u>
Amount due to fellow group undertakings				
Fujitsu Finland Oy	0.9	0.9	0.7	0.6
Fujitsu A/S	-	-	-	-
Fujitsu Sweden AB	1.2	0.4	1.2	0.3
Fujitsu Norway AS	-	-	-	-
Fujitsu EMEA Shared Services Ltd	0.2	1.2	0.2	1.2
Other balances	16.9	17.1	-	-
	<u>19.2</u>	<u>19.6</u>	<u>2.1</u>	<u>2.1</u>
Fujitsu Services Holdings PLC group	<u>22.5</u>	<u>23.1</u>	<u>5.3</u>	<u>5.4</u>
Amount due to fellow subsidiary undertakings – company only				
Fujitsu Telecommunications Europe Limited	-	-	2.5	2.5
Fujitsu Services (Engineering Services) Limited	-	-	-	-
Fujitsu (Ireland) Limited	-	-	0.2	0.2
Applied Card Technologies Limited	-	-	3.8	4.2
Globe Ranger Corporations	-	-	0.1	0.1
	<u>-</u>	<u>-</u>	<u>6.6</u>	<u>7.0</u>
Amount due to other group undertakings				
Fujitsu Limited	1.4	0.8	1.4	0.8
Fujitsu Technology Solutions (Holding) B.V.	17.3	27.7	17.1	26.5
Fujitsu America Inc.	7.1	6.1	7.4	6.0
Fujitsu Australia Ltd	0.4	0.3	0.4	0.3
Fujitsu Laboratories of Europe Limited	-	-	-	-
Fujitsu Network Communications	0.1	0.1	0.1	0.1
Other balances	0.6	2.3	0.6	1.7
	<u>26.9</u>	<u>37.3</u>	<u>27.0</u>	<u>35.4</u>

These balances are reported within amounts due to parent group undertaking, fellow subsidiary undertakings, fellow group undertakings and other group undertakings, as set out in Note 21.

Notes to the Financial Statements continued

29 Related Parties continued

The Group also had the following loan balances with Fujitsu Services Holdings PLC and its subsidiary undertakings, as well as other Fujitsu Limited group undertakings:

Loan receivable/money market term deposits	2022 Group £m	2021 Group £m	2022 Company £m	2021 Company £m
Amount due from fellow subsidiary undertakings – company only				
Kepler GR Holdings Inc.	-	-	8.1	7.7
	-	-	8.1	7.7
Amount due from other group undertakings				
Fujitsu EMEA PLC	-	59.7	-	59.7
Fujitsu Technology Solutions (Holding) B.V.	68.1	-	63.0	-
	68.1	59.7	63.0	59.7

These balances are reported within amounts due from fellow subsidiary undertakings and other group undertakings, as set out in Note 18.

Loan Payable	2022 Group £m	2021 Group £m	2022 Company £m	2021 Company £m
Amount due to fellow group undertakings				
Fujitsu Services (Insurance Services) Limited	25.0	20.4	25.0	20.4
Cell Network Frolunda	2.3	2.3	2.3	2.3
Fujitsu Services AB	11.9	12.1	11.9	12.1
	39.2	34.8	39.2	34.8
Amount due to fellow subsidiary undertakings – company only				
Fujitsu Telecommunications Europe Limited	-	-	12.9	14.9
Fujitsu Services (Managed Services) Limited	-	-	0.7	0.7
Applied Card Technologies Limited	-	-	-	-
Fujitsu FTS UK	-	-	28.9	-
Fujitsu Services (Engineering Services) Limited	-	-	3.8	-
	-	-	46.3	15.6
Fujitsu Services Holdings PLC group	39.2	34.8	85.5	50.4
Amount due from other group undertakings				
Fujitsu EMEA PLC	34.7	-	34.7	-
	34.7	-	34.7	-

These balances are reported within amounts due to fellow group undertakings and fellow subsidiary undertakings, as set out in Note 21.

Notes to the Financial Statements continued

29 Related Parties continued

Trading transactions entered into during the period

Sales	2022 Group	2021 Group	2022 Compan	2021 Compan
	£m	£m	£m	£m
Fujitsu Limited group undertakings				
Fujitsu Limited	33.7	21.2	33.7	21.2
Fujitsu Australia Limited	2.3	1.9	2.3	1.9
Fujitsu Technology Solutions (Holding) B.V.	10.6	8.6	10.5	8.5
Fujitsu Asia Pte Limited	0.9	0.4	0.9	0.4
Fujitsu America Inc.	4.3	-	4.3	-
Fujitsu EMEA PLC	0.4	0.3	0.4	0.3
Other	0.6	0.2	0.5	0.2
	<u>52.8</u>	<u>32.6</u>	<u>52.6</u>	<u>32.5</u>
Fujitsu Services Holdings PLC group undertakings – company only				
Applied Card Technologies Limited	-	-	-	5.2
Fujitsu Sweden AB	-	-	2.3	5.6
Fujitsu Finland Oy	-	-	2.4	4.7
	<u>-</u>	<u>-</u>	<u>4.7</u>	<u>15.5</u>
Purchase	2022 Group	2021 Group	2022 Compan	2021 Compan
	£m	£m	£m	£m
Fujitsu Limited group undertakings				
Fujitsu Limited	19.8	14.4	19.7	14.4
Fujitsu Australia Limited	1.5	1.4	1.4	1.2
Fujitsu Technology Solutions (Holding) B.V.	62.8	62.9	56.0	53.3
Fujitsu America Inc.	21.8	18.5	19.5	16.0
Other	0.2	0.7	0.2	0.6
	<u>106.1</u>	<u>97.9</u>	<u>96.8</u>	<u>85.5</u>
Fujitsu Services Holdings PLC group undertakings – company only				
Applied Card Technologies Limited	-	-	-	1.0
Fujitsu A/S	-	-	-	0.1
Fujitsu Sweden AB	-	-	4.3	2.0
Fujitsu Finland Oy	-	-	6.4	6.8
Globe Ranger Corporations	-	-	-	0.2
	<u>-</u>	<u>-</u>	<u>10.7</u>	<u>10.0</u>

Notes to the Financial Statements continued

29 Related Parties continued

Finance income/(expense)

Income	2022 Group	2021 Group	2022 Company	2021 Company
	£m	£m	£m	£m
Fujitsu Services Holdings PLC group undertakings – company only	-	-	-	-
Fujitsu Telecommunications Europe Limited	-	-	-	-
Fujitsu Services Insurance Services Ltd	-	-	-	-
	-	-	-	-
Fujitsu Limited group undertakings	-	-	-	-
Fujitsu EMEA PLC	-	-	-	-
	-	-	-	-

Expense	2022 Group	2021 Group	2022 Company	2021 Company
	£m	£m	£m	£m
Fujitsu Services Holdings PLC group undertakings – company only	-	-	0.1	0.1
Kepler GR Holdings Inc.	-	-	0.1	0.1
	-	-	0.1	0.1

Management fees payable

Income	2022 Group	2021 Group	2022 Compan	2021 Compan
	£m	£m	£m	£m
Fujitsu Services Holdings PLC	6.3	6.4	6.1	6.1
	6.3	6.4	6.1	6.1

Dividends paid

No dividends were paid during the years ended 31 March 2022 and 31 March 2021.

Notes to the Financial Statements continued

30 Accounting Estimates and Judgements

The development, selection, application and disclosure of the Group's key accounting estimates and judgements have been discussed with the Audit Committee.

Key Sources of Estimation Uncertainty and Judgements

The assumptions and risk factors relating to goodwill impairment testing are set out in Note 13. Analysis of the financial risk management policies of the Group and the associated risk is set out in Note 24. The key assumptions relating to the Group's defined benefit pension obligations are set out in Note 28.

Revenue from Contracts with Customers

IFRS 15 requires revenue from contracts with customers to be measured with reference to the satisfaction of performance obligations. The identification of performance obligations, measurement and allocation of the initial transaction price and subsequent changes to transaction price, as well as identifying progress towards satisfaction of performance obligations, requires significant judgement and estimates both at contract inception and as the contract is delivered. In particular, revenue relating to customers contracts where satisfaction of performance obligations is measured with reference to the percentage of completion method requires the estimation of total costs of fulfilling the contractual obligations under each contract. Each contract maintains a lifetime model of contracted revenues and forecast costs, which are reviewed and revised twice during each financial reporting period. Lifetime costs are calculated based on contracted rates for the supply of goods, man hour requirements and current labour costs and a fair apportionment of overheads, with allowances built in for future price increases based on long-term inflation forecasts and other known factors. Assumptions, forecast projections and progress against contract deliverables must be monitored on a regular basis to ensure appropriate measurement of revenue in each reporting period.

Estimation of the recoverable amount of an asset or Cash Generating Unit (CGU)

An entity is required to ensure that its assets are not impaired and are carried at no more than their recoverable amount, measured based on the sum of future cash flows expected to be realised from sale or value in use. Assets which do not generate independent cash flows, including corporate assets and goodwill, are required to be grouped together into CGU's and tested for impairment. In determining the recoverable amount of an asset or CGU, estimates and assumptions must be made in determining the value of those future cash flows. For a CGU this includes assessment of expected future business profitability, reliability of future forecasts, assumptions regarding business developments and general market and economic assumptions. Uncertainty inherent in making judgements and estimates means that there is a risk that the estimated recoverable amount could result in a material adjustment in the future accounting period(s).

Notes to the Financial Statements continued

30 Accounting Estimates and Judgements continued

Estimation of incremental borrowing rate for measurement of leasing liabilities

Where entities in the Group are required to recognise and measure a leasing liability as lessee, lease payments should be discounted using the interest rate implicit in the lease, but often this cannot be readily determined from the leasing contract. Instead, the entity must determine its incremental borrowing rate, being the rate that the lessee would have to pay to borrow over a similar term, with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset, in a similar economic environment, considering factors such as the lessee's credit profile, borrowing currency and term of the lease. The process requires judgement in the determination of an appropriate rate. The FSH Group operates a centralised treasury function and all funding and capital requirements of subsidiaries are managed centrally by the parent. Although in such cases a subsidiary cannot automatically default to its parent's incremental borrowing rate, this is also a relevant factor in the determination of an appropriate borrowing rate where a guarantee of the subsidiary's obligations is provided by the parent.

Estimation on Employee Post-Retirement Benefit Obligations

The Group has a number of defined benefit pension plans. The obligations under these plans are recognised in the Statement of Financial Position and represent the present value of the future benefits calculated by independent actuaries, with input from management. These actuarial valuations include assumptions such as discount rates, return on assets, salary progression and mortality rates. These assumptions vary from time to time according to prevailing economic, financial and demographic factors.

Judgements on Deferred Tax Assets

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised, with consideration given to the timing and level of future taxable income.

Judgements on Claims

In making provisions for claims, management bases its judgement on the circumstances relating to each specific event, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedents. The Group's legal and warranty claims are reviewed, at a minimum, on a quarterly basis by senior management.

Notes to the Financial Statements continued

31 Subsequent Events

An assessment of post balance sheet events has been made up to the date of approval of this Report and Financial Statements and have not identified any subsequent events.

32 Ultimate Holding Company

The Company's controlling entity and intermediate holding company is Fujitsu Services Holdings PLC, a company registered in England and Wales. Copies of its financial statements can be obtained from its registered office at:

Lovelace Road
Bracknell, Berkshire
RG12 8SN

The ultimate holding company is Fujitsu Limited, a company incorporated in Japan. Copies of its financial statements can be obtained from:

Shiodome City Center
1-5-2 Higashi-Shimbashi
Minato-ku
Tokyo 105-7123
Japan

This is the largest group of which the Company is a member and for which consolidated financial statements are prepared.

Notes to the Financial Statements continued

33 Subsidiaries and Associated Undertakings

Subsidiary undertakings	% Ownership	Country of incorporation	Registered Address
Fujitsu (FTS) Limited	100%	UK	Lovelace Road, Bracknell, Berks, RG12 8SN Unit 100, Airside Business Park, Swords, Co Dublin, Ireland
Fujitsu (Ireland) Limited	100%	Ireland	Dublin, Ireland
Fujitsu Services (Alcedo) Limited	100%	UK	Lovelace Road, Bracknell, Berks, RG12 8SN
Fujitsu Services (Flexible Finance) Limited	100%	UK	Lovelace Road, Bracknell, Berks, RG12 8SN
Fujitsu Services (Finance) Limited	100%	UK	Lovelace Road, Bracknell, Berks, RG12 8SN
Fujitsu Services MCD Limited	100%	UK	Lovelace Road, Bracknell, Berks, RG12 8SN
Fujitsu Services (Engineering Services) Limited	100%	UK	Lovelace Road, Bracknell, Berks, RG12 8SN
Kepler GR Holdings Inc	100%	USA	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware, 19801, USA
GlobeRanger Corporation	100%	USA	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware, 19801, USA
Fujitsu Telecommunications Europe Limited	100%	UK	Solihull Parkway, Birmingham Business Park, Birmingham, B37 7YU
Fujitsu Telecommunications France SAS	100%	France	River Plaza - 29, Quai Aulagnier, 92665, Asnieres sur Seine, Cedex, France
AGS Pension Trustee Limited	100%	UK	Lovelace Road, Bracknell, Berks, RG12 8SN
Fujitsu UK Pension Trust Limited	100%	UK	Lovelace Road, Bracknell, Berks, RG12 8SN
UK&I LA Scheme Limited	100%	UK	Lovelace Road, Bracknell, Berks, RG12 8SN
Fujitsu Services (Managed Services) Limited	100%	UK	Lovelace Road, Bracknell, Berks, RG12 8SN
Fujitsu Services C&E Limited	100%	UK	Lovelace Road, Bracknell, Berks, RG12 8SN
Fujitsu Services IT Private Limited	99.99%	India	Level 4, Rectangle One Commercial Complex D4, Saket, New Delhi 110017
Fujitsu Services (Data) Limited	100%	UK	Lovelace Road, Bracknell, Berks, RG12 8SN
ICL Limited	100%	UK	Lovelace Road, Bracknell, Berks, RG12 8SN
Fujitsu Services (Medical Plan Trustee) Limited	100%	UK	Lovelace Road, Bracknell, Berks, RG12 8SN
ICL Training (No.3) Limited	100%	UK	Lovelace Road, Bracknell, Berks, RG12 8SN
Applied Card Technologies Limited	100%	UK	Lovelace Road, Bracknell, Berks, RG12 8SN

FUJITSU SERVICES LIMITED

Registered office: Lovelace Road, Bracknell, Berkshire, RG12 8SN

Registered in England

No 00096056