

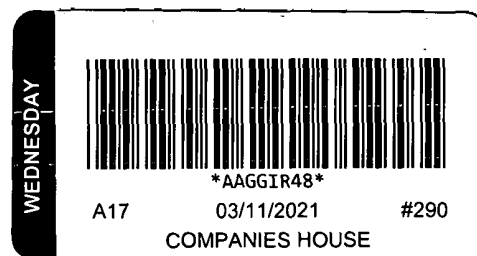
NEC Display Solutions UK Limited

Registered No. 3985545

NEC Display Solutions UK Limited

Directors' Report and Financial Statements

For the year ended 31 March 2020



NEC Display Solutions UK Limited

Registered No. 3985545

Directors

Mr. P Fruth

Mr. C Mills

Auditor

KPMG LLP

15 Canada Square

London

E14 5GL

Registered Office

Athene

Odyssey Business Park

West End Road

South Ruislip

Middlesex

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Directors' Report

The directors present their report and financial statements for the year ended 31 March 2020.

The company has met the requirements of the Companies Act 2006 to obtain the exemption provided from the presentation of a strategic report.

Results

The profit and loss account show a loss before tax for the year of £127,210 (2019: profit £252,389) and a loss for the year after taxation of £125,315 (2019: profit £81,252).

Principal activity and review of business

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

NEC Display Solutions UK Limited's principal activity is to act as sales agent, in the distribution of electronic display devices, for NEC Display Solutions Europe GmbH.

The results for the year and the financial position of the Company are shown on pages 7 to 9.

During the year the commission income decreased by 16% during the year (2019: decrease 6%).

Management considers that there is no other performance indicator other than the commission income and profit for the year.

Dividends

The directors do not recommend the payment of a dividend (2019: £nil).

Financial risks and uncertainties

As part of the review, the Directors have also considered the exposure of the Company to credit risk, foreign exchange risk, interest rate risk, liquidity risk, pension risk and the COVID-19 virus, in order that an overall assessment can be made of the Company's assets, liabilities, its financial position and its results for the year. The Company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Foreign exchange risk

The Company has operations in the UK and Europe and hence has transactions denominated in £ Sterling and € Euro. The Board reviews and agrees policies for managing foreign exchange risks arising from the company's operations.

Interest rate risk

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

Liquidity risk

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

Pension risk

The Company has over the last few years taken steps to reduce risk from the DB scheme, including closing the scheme to future accrual in June 2009 and running an Enhanced Transfer Value Exercise during the first half of 2010. The Company, on behalf of the participating employers, agreed a satisfactory recovery plan with the Trustees after considering the deficit position reported in the 2015 Actuarial Valuation. The deficit payments with regard this plan will cease in March 2020 and were all placed into an Escrow account on the 8th August 2017.

Creditor payment policy

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

Covid-19

The Covid-19 outbreak is recognised as a global pandemic by the World Health Organisation. The Directors have taken action to address the impact of the pandemic on the company, workforce, suppliers and customers it serves. The company has set up a Crisis Management Team to regularly monitor the impact of the pandemic including employee working conditions, supply chain disruption, customer service and the company's compliance with regulations and laws. Impact on the commissions has been considerable, but well managed.

Future developments

Following the agreed joint venture between Sharp Corporation and NEC Display Solutions Europe GmbH as from 1 November 2021, the employees of NEC Display Solutions UK Ltd will transfer across to the UK subsidiary of SHARP as per that date. As a result of this joint venture, the services currently provided by the Company to NEC Display Solutions Europe GmbH will cease along with the commissions earned as from 1 November 2021. The principal activities of the company will change as from this date as the company will be there for the purpose of holding the pension assets and liabilities for the foreseeable future.

Political and Charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year (2019: nil).

Directors

The directors who served during the year are listed below:

Mr P Fruth;

Mr H Komazaki (Resigned 30th September 2020); and

Mr C Mills (Appointed 1st October 2020).

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Directors' statement as to disclosure of information to Auditor

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

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board:



C Mills
Director

Date: 29 October 2021

Statement of Directors' responsibilities in respect of the Directors' report & the Financial Statements

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

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

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

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

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

Independent auditor's report to the members of NEC Display Solutions UK Limited

Opinion

We have audited the financial statements of NEC Display Solutions UK Limited ("the company") for the year ended 31 March 2020 which comprise the Profit and loss account, the Statement of other comprehensive income, the Balance sheet, the Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' report

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

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

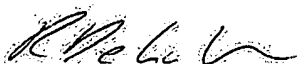
Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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



Richard De La Rue (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

29 October 2021

Profit and Loss Account

for the year ended 31 March 2020

	Notes	2020 £	2019 £
Turnover	2	138,256	164,255
Administrative expenses		(688,467)	(486,994)
Other operating income	3	341,218	532,050
Net foreign exchange loss		(2,741)	(5,091)
Operating (loss)/profit		(211,734)	204,220
Other interest receivable and similar income	4	84,524	48,169
(Loss)/Profit before taxation	5	(127,210)	252,389
Tax on profit	8	1,895	(171,137)
(Loss)/Profit for the financial year		(125,315)	81,252

Statement of Other Comprehensive Income

for the year ended 31 March 2020

	Notes	2020 £	2019 £
(Loss)/Profit for the year		(125,315)	81,252
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial gain recognised in the pension scheme	13	783,288	774,844
Deferred tax on Defined Benefit Pension Surplus		(274,151)	(271,408)
Total comprehensive income for the year		383,822	584,688

The notes on pages 14 to 27 form part of these financial statements

Balance sheet

at 31 March 2020

	Notes	2020 £	2019 £
Defined Benefit Asset Surplus	13	3,577,443	2,547,485
Current assets			
Debtors (including £203,595 (2019:£115,352) due after more than one year) 9		2,284,354	2,575,151
Creditors: amounts falling due within one year	10	(5,849)	(11,009)
Net current assets		2,278,505	2,564,142
Total assets less current liabilities		5,855,948	5,111,627
Creditors: (amounts falling due after more than one year)	12	(1,252,119)	(891,620)
Net assets including Pension surplus		4,603,829	4,220,007
Capital and reserves			
Called up share capital	15	2,627,000	2,627,000
Profit and loss account		1,976,829	1,593,007
Shareholders' funds		4,603,829	4,220,007

The notes on pages 14 to 27 form part of these financial statements

The financial statements were approved by the Board of Directors on 29 October 2021 and were signed on its behalf by:



Director
Mr C. Mills

Statement of Changes in Equity

at 31 March 2020

	<i>Called up Share capital</i>	<i>Profit & Loss account</i>	<i>Total equity</i>
	£	£	£
Balance at 1 April 2019	2,627,000	1,593,007	4,220,007
Total comprehensive income for the year:			
Profit or loss	-	(125,315)	(125,315)
Other comprehensive income	-	509,137	509,137
Total comprehensive income for the year	-	383,822	383,822
Balance at 31 March 2020	2,627,000	1,976,829	4,603,829

	<i>Called up Share capital</i>	<i>Profit & Loss Account</i>	<i>Total equity</i>
	£	£	£
Balance at 1 April 2018	2,627,000	1,008,319	3,635,319
Total comprehensive income for the year:			
Profit or loss	-	81,252	81,252
Other comprehensive income	-	503,436	503,436
Total comprehensive income for the year	-	584,688	584,688
Balance at 31 March 2019	2,627,000	1,593,007	4,220,007

The notes on pages 14 to 27 form part of these financial statements

Notes to the financial statements

at 31 March 2020

1. Accounting policies

The following principal accounting policies have been applied consistently throughout the year, dealing with items which are considered material to the Company's financial statements.

Basis of preparation

These financial statements have been prepared on the historical cost basis and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2015/16 Cycle) issued in July 2016 and has been applied.

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

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

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

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year have been assessed. The key assumptions within the Company's defined benefit pension scheme are include in note 13.

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

Change in accounting policy

The Company has adopted the following IFRSs in these financial statements:

- IFRS 16: Leases

IFRS 16 (effective 1st January 2019) replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The company applied IFRS 16 using the modified retrospective approach, under which the company has measured the right-of-use assets at the value of lease liabilities

Measurement convention

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 classified as fair value through the profit or loss.

Going concern

The directors have prepared the Company's financial statements on a going concern basis for the following reasons.

Until 31 October 2021, the company's operating costs are recovered from NEC Display Solutions Europe GmbH and from commission earned from the distribution of electronic display devices. Following the agreed joint venture between Sharp Corporation and NEC Display Solutions Europe GmbH as from 1 November 2021, the employees of NEC Display Solutions UK Ltd will transfer across to the UK subsidiary of SHARP. As a result of this joint venture, the services currently provided by the Company to NEC Display Solutions Europe GmbH will cease along with the commissions earned as from 1 November 2021. The principal activities of the Company will change and from this date the purpose of the Company will be to hold its defined benefit pension assets and liabilities. At 31 March 2020, the Company recorded a net defined benefit pension surplus of £3,577,443 and related pension tax liability of £1,252,119.

From 1 November 2021 the Company's operating expenses will only relate to managing the defined benefit scheme of which the Company is a member. In so far as other generated income is not sufficient to cover these expenses, these costs will be covered by the direct parent company via a recharge of expenses or via the equity position of the Company. Additional pension contributions, if any, will be funded by the Company's direct parent, NEC (UK) Limited.

The Company is also able to meet its future financial obligations in the next twelve months from its own working capital which at 31 March 2020 principally comprised amounts due from group companies of £2,080,759.

The directors therefore have sufficient assurance that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements..

Turnover

Turnover is stated net of value added tax and consists of commissions entirely from NEC Display Solutions Europe GMBH. Revenue is recognized upon the client's acceptance of commission.

Tangible fixed assets and depreciation

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

Leasehold improvements	–	6 years
Fixtures and fittings	–	3 years
Computer equipment	–	2–3 years

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

Foreign currency

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

Financial instruments (policy applied from 1 April 2020)

(i) Recognition and initial measurement

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

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

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

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

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

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

(b) Regular Way Sales / Purchases

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

(c) Cash and cash equivalents

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

(d) Subsequent measurement and gains and losses

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

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

(iii) Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

(iv) Impairment

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

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

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

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

The company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held).

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

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

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

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

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

Measurement of ECLs

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

Write-offs

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

Taxation

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

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

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

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

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

Pension costs- defined benefit plans

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

Pension scheme assets are measured using market values. For quoted and unitised securities the current bid price is taken as market value. The cost of providing benefits under the defined benefit plans is determined separately for the plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine

the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested.

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

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

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

Pension costs- defined contribution plans

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

Reserves

The Company's reserves are as follows:

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

NEC Display Solutions UK Limited

Registered No. 3985545

2. Turnover

Turnover consists of commissions received from NEC Display Solutions Europe GmbH for the provision of services. The Company's turnover relates to continuing activities in Europe:

	2020	2019
	£	£
Commission	138,256	164,255

3. Other operating income

Operating income consists of recharged expenses received from NEC Display Solutions GmbH.

	2020	2019
	£	£
Recharged expenses	341,218	532,050

4. Other interest receivable and similar income

	2020	2019
	£	£
Group interest receivable	14,890	11,469
Net interest on defined benefit plan assets	69,633	36,700
	<u>48,566</u>	<u>48,169</u>

5. Profit and loss account

Profit on ordinary activities before taxation is stated after charging:

	2020	2019
	£	£
Foreign exchange loss	2,739	5,091
Auditor's remuneration – audit of these financial statements	17,000	15,000

Fees paid to the Company's auditors, KPMG LLP and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements. This is on the basis that such fees are disclosed in the financial statements of the Company's indirect parent, NEC Europe Ltd.

6. Directors' emoluments

No (2019: No) director received remuneration for services to the Company. No director (2019: No) was a member of the defined contribution pension scheme.

7. Staff costs

	2020	2019
	£	£
Wages and salaries	282,585	447,111
Social security costs	32,130	53,501
Other pension costs	26,095	31,066
	<u>340,810</u>	<u>531,678</u>

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

	2020	2019
	No.	No.
Sales and administrative staff	2	4
Management staff	1	1
	<u>3</u>	<u>5</u>

The charge relating to the defined contribution pension scheme for the period represents contributions payable by the Company to the scheme and amounted to £26,095 (2019: £31,066).

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

8. Tax

Recognised in the profit and loss account

	2020	2019
	£	£
The tax charge/(credit) is made up as follows:		
<i>Current tax:</i>		
UK corporation tax at 19% (2019 – 19%)	-	-
Adjustment in respect of previous years	-	-
Total current tax charge	<u>-</u>	<u>-</u>
<i>Deferred tax:</i>		
Originating and reversal of timing differences	(88,243)	(33,622)
Deferred tax on Defined Benefit Pension Scheme	86,348	204,759
Total deferred tax	<u>(1,895)</u>	<u>171,137</u>
Tax on profit on ordinary activities	<u>(1,895)</u>	<u>171,137</u>

NEC Display Solutions UK Limited

Registered No. 3985545

Reconciliation of tax expense

	2020	2019
	£	£
Profit for the year	(125,315)	81,252
Total Tax expense	(1,895)	171,137
Profit on ordinary activities before taxation	(127,210)	252,389
(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK at 19% (2019 – 19%)	(24,170)	47,954
Deferred tax on Defined Benefit Pension Scheme	86,348	204,759
Adjusted relief on pension contributions paid	(95,621)	(95,621)
Recognition in movement of deferred balances	(88,243)	(33,622)
Additional losses	120,418	48,432
Adjustment in respect of originating and reversal of timing differences	(627)	(765)
Total tax expense	(1,895)	171,137

The directors consider sufficient analysis has been undertaken in respect of periods up to 31 March 2019 to recognise submitted and anticipated group relief claims within the NEC Europe Limited group, but no such claims have yet been assessed or recognised in respect of the year ended 31 March 2020. The impact of group relief claims in respect of other UK entities within the NEC Corporation group is recognised when a claim is submitted and there is reasonable certainty it will be agreed.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and 18% (effective 1 April 2020) were substantively enacted on 26th October 2015. The deferred tax at 31st March 2020 has been calculated based on these rates.

An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 budget, it was announced that the UK tax rate will remain at 19% and not reduce to 17% from 1 April 2020. In the 3 March 2021 Budget it was announced that from 1 April 2023 the corporate income tax rate will remain at 19% for UK companies with profits of up to £50,000, with companies with profits between £50,000 and £250,000 paying at a tapered rate. The upper UK corporation tax rate will rise to 25% from 1 April 2023 for UK companies with profits in excess of £250,000.

9. Debtors

	2020	2019
	£	£
<i>Due within one year:</i>		
Amounts owed by group undertakings	2,080,759	1,956,528
Other debtors	-	503,271
<i>Due after more than one year:</i>		
Deferred tax asset (note 11)	203,595	115,352
	2,284,354	2,575,151

Other debtors are £ nil (2019: 503,271). The 2019 amount related to the future obligations to the Defined Benefit Pension per the last actuarial funding valuation. These were placed in an Escrow account. The company NEC Europe Limited was responsible for the Escrow account. 31 March 2020 was the end of the end of the funding term, and the balance in the Escrow account was nil.

Included within amounts owed by group undertaking is £2,101,774 (2019: £1,915,365) representing cash passed to the parent undertaking and placed on short term deposit with NEC Capital Limited.

10. Creditors: amounts falling due within one year

	2020	2019
	£	£
Other taxation and social security	5,849	11,009

11. Deferred tax asset

Movement in deferred tax during the year

	1 April 2019	Recognised in equity	Recognised in income	31 March 2020
	£	£	£	£
Current assets	-	-	-	-
Tax value of losses carry forward	115,352	-	88,243	203,595
	<u>115,352</u>	<u>-</u>	<u>88,243</u>	<u>203,595</u>

Movement in deferred tax during the prior year

	1 April 2018	Recognised in equity	Recognised in income	31 March 2019
	£	£	£	£
Current assets	3,809	-	(3,809)	-
Tax value of losses carry forward	77,921	-	37,431	115,352
	<u>81,730</u>	<u>-</u>	<u>33,622</u>	<u>115,352</u>

12. Creditors: amounts falling due after more than one year

Movement in withholding tax during the year:

	<i>1 April 2019</i>	<i>Recognised in equity</i>	<i>Recognised in income</i>	<i>31 March 2020</i>
	£	£	£	£
Defined Benefit Pension Surplus	891,620	274,151	86,348	1,252,119

Movement in withholding tax during the prior year

	<i>1 April 2018</i>	<i>Recognised in equity</i>	<i>Recognised in income</i>	<i>31 March 2019</i>
	£	£	£	£
Defined Benefit Pension Surplus	415,453	271,408	204,759	891,620

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

13. Defined benefit pension scheme

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

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

For the statutory accounts ending 31st March 2020 the principal employer received a report from Mercer Limited on the valuation of the scheme under FRS 101.

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

	<i>2020</i>	<i>2019</i>
	£'000	£'000
Total Defined Benefit Liability	(7,141)	(7,213)
Total Defined Benefit Asset	10,718	9,760
Net surplus for defined benefit obligations	3,577	2,547

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

	<i>2020</i>	<i>2019</i>
	£'000	£'000
Total Defined Benefit Liability	(185,283)	(184,126)
Total Defined Benefit Asset	242,886	226,609
Net Asset for defined benefit obligations	57,603	42,483

	Multi-Employer Scheme		Company Portion	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Change in defined benefit obligation				
As at 1 April	184,126	193,459	7,214	7,903
Prior year adjustment	-	-	-	(49)
Interest cost	4,537	5,290	178	210
Loss on curtailments/changes/introductions	9,115	1,906	299	74
Re measurements:				
Actuarial (gains)/losses from changes in financial assumptions	(4,674)	11,294	(224)	139
Actuarial (gains)/losses from changes in demographic assumptions	(2,558)	(9,999)	(123)	(101)
Benefits paid	(5,263)	(3,865)	(206)	(157)
Settlement payment from plan assets	-	(5,173)	-	(546)
Reduction in Accounting liability from Retirement Transfer Offer (RTO)	-	(53)	-	(146)
As at 31 March	185,283	184,126	7,141	7,214
Change in fair value of plan assets				
As at 1 April	226,609	212,575	9,761	9,091
Prior year adjustment	-	-	-	(164)
Administrative expenses	(691)	(683)	(27)	(27)
Interest income	5,712	5,952	247	247
Return on plan assets excluding interest income	6,852	8,137	439	814
Employer contributions	9,667	9,666	504	503
Benefits paid	(5,263)	(3,865)	(206)	(157)
Settlement payments from plan assets	-	(5,173)	-	(547)
Balance at 31 March	242,886	226,609	10,718	9,760
Costs relating to defined benefit Plans				
Loss on curtailments/changes/introductions	9,115	1,906	299	74
Interest on DBO	4,537	5,290	178	210
Interest (income) on plan assets	(5,712)	(5,952)	(247)	(247)
Reduction in Accounting liability from Retirement Transfer Offer (RTO)	-	(53)	-	(146)
Administrative expenses and/or taxes (not reserved within DBO)	691	683	27	28
Included in Profit and Loss account	8,631	1,874	257	(82)
Re measurements				
Effect of changes in assumptions	0	8,733	(3)	(165)
Effect of experience adjustments	7,232	(1,295)	347	126
Cost/(Return) on plan assets (excluding interest income)	6,852	8,137	439	814
Included in Other comprehensive income	14,084	15,575	783	775

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

	Multi-Employer Scheme		Company portion	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Fair value of Plan Assets				
Assets with a quoted price in an active market				
Cash and cash Equivalents	-	-	-	-
Equity instruments	18,386	-	811	-
Debt instruments	128,473	-	5,669	-
Real Estate	-	-	-	-
Other	9,991	-	441	-
Total	<u>156,850</u>	<u>-</u>	<u>6,921</u>	<u>-</u>
Assets without a quoted price in an active market				
Cash and cash Equivalents	7,946	-	351	-
Equity instruments	-	-	-	-
Debt instruments	54,436	-	2,402	-
Real Estate	11,670	-	515	-
Other	11,982	-	529	-
Total	<u>86,034</u>	<u>-</u>	<u>3,797</u>	<u>-</u>

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

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

	2020	2019
	%	%
Rate of increase in pensionable salaries	n/a	n/a
Discount rate	2.30	2.50
Inflation assumption RPI	2.50	3.15
Inflation assumption CPI	1.80	2.15
Rate of pension increase	2.50	3.00

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

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard S2PA light YOB tables weighted by 103%/101% for male/female pensioners and 108%/100% for male/female non-pensioners, and CMI 2017 core projections with long term rate of 1.5% per annum. The life expectancy for males currently aged 65 is 23.2 years and for females currently aged 65 is 24.4 years.

For 2020 the method for setting the CPI assumption was updated from RPI inflation less 1% to RPI inflation less 0.7%. This change increased the aggregate DBO by approximately £4m and the Company Portion of the DBO by approximately £0.2m.

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises what the total of the Multi-Employer Scheme defined benefit obligation at the end of the reporting period would have been as a result of a change in the respective assumptions by 0.25%.

	2020	2019
	£'000	£'000
Discount rate	195,343	191,808
Inflation assumption RPI	191,920	188,447

In valuing the liabilities of the pension fund at 31st March 2020 mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31st March 2020 would have increased to £190,681,000 (2019: £186,820,000) before deferred tax.

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

Funding

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

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

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

On the 8th August 2017 NEC Europe limited and its UK Subsidiaries transferred £18,839,395 into an Escrow account. This is to fund the future defined benefit pension obligations until the year ended 31st March 2020. The future contributions of the Company to its defined benefit plan paid into the Escrow account was £503,271. The remaining balance at 31st March 2020 is £ nil.

14. Subsequent Events

Covid-19

The Covid-19 outbreak is recognised as a global pandemic by the World Health Organisation. The Directors have taken action to address the impact of the pandemic on the company, workforce, suppliers and customers it serves. The company has set up a Crisis Management Team to regularly monitor the impact of the pandemic including employee working conditions, supply chain disruption, customer service and the company's compliance with regulations and laws. Impact on the business has been considerable, but well managed.

Joint venture with Sharp Corporation and NEC Display Solutions Europe GmbH

Following the agreed joint venture between Sharp Corporation and NEC Display Solutions Europe GmbH as from 1 November 2021, the employees of NEC Display Solutions UK Ltd will transfer across to the UK subsidiary of SHARP as per that date. As a result of this joint venture, the services currently provided by the Company to NEC Display Solutions Europe GmbH will cease along with the commissions earned as from 1 November 2021. The principal activities of the company will change as from this date as the company will be there for the purpose of holding the pension assets and liabilities for the foreseeable future.

15. Issued share capital

	2020	2019
<i>Allotted, called up and fully paid</i>	£	£
2,627,000 Ordinary shares of £1 each	2,627,000	2,627,000

16. Ultimate parent undertaking and controlling party

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