

# Hitachi Europe Limited

## Report and Financial Statements

31 March 2020

Registered number: 02210686

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COMPANIES HOUSE

Registered No. 02210686

**Directors**

Y Ogura  
S J Gomersall  
N Nishida  
S K Pierce  
Y Ito

**Secretary**

C W Newton

**Auditors**

Ernst & Young LLP  
Apex Plaza  
Forbury Road  
Reading  
RG1 1YE

**Bankers**

Citibank NA  
Citigroup Centre  
Canada Square  
Canary Wharf  
London EC14 5LB

**Solicitors**

Clifford Chance LLP  
10 Upper Bank Street  
London E14 5JJ

**Registered Office**

Whitebrook Park  
Lower Cookham Road  
Maidenhead  
Berkshire SL6 8YA  
United Kingdom

Registered No. 02210686

## Strategic report

The directors present their strategic report of Hitachi Europe Limited ("Hitachi Europe" or "the company") for the year ended 31 March 2020.

### Results and dividends

The profit for the year after taxation amounted to £12,919,000 (2019; profit £326,000). The directors do not recommend the payment of a dividend (2019; £nil).

### Principal activities and review of the business

The company's principal activities during the year continued to be the distribution of consumer electronic products, the import and sale of other electronic equipment, and industrial components. The company also acts as a provider of shared services to other companies within the Hitachi Group.

The company used key performance indicators to measure performance. The directors consider the following indicators to be key measures of the company's financial performance:

	2020 £'000	2019 £'000	Change %
Revenue	153,623	147,597	4.08 %
Gross profit	65,097	62,788	3.68 %
Operating profit	14,407	(1,762)	917.65 %

The company's revenue increased by 4.08% from £147,597,000 in 2019 to £153,623,000 in 2020.

Gross profit has also increased by 3.68 % from £62,788,000 in 2019 to £65,097,000 in 2020. The increase in revenue and gross profit, in 2020, is a result of the increase of entrustment revenue £6,030,000 and 3<sup>rd</sup> party product sales which increased by £3,890,000 although the shared service revenue reduced by £3,984,000 in the year.

The operating profit of £14,407,000 (2019 loss of £1,762,000) reflects the increase in gross profit as explained above, higher dividend income of £4,519,000 from Hitachi Europe subsidiaries and that the company recorded an impairment expense of £9,600,000, in 2019, related to the Whitebrook Park HQ.

### Future developments

The company intends to trade in the same manner in the forthcoming year.

### Principal risks and uncertainties

The company's principal risk is market developments in the technology sector and possible subsequent price erosion. The company experienced challenging market conditions during the year with intense competition on pricing and market share. These are not new risks but are managed via relationships between the company and its long-standing customer base which is maintained through high levels of customer care.

Additionally, increased pressure in terms of compliance with growing environmental regulations is a risk managed principally by the presence of a highly specialised in-house advisor who works to ensure best practice.

The company's operations are exposed to a variety of financial risks which include liquidity risk, interest rate risk, currency risk and credit risk. The policies set by the board of directors are implemented by the company's finance department.

## Strategic report (continued)

### Covid-19 update

COVID-19 has affected the global economy, including the economies and industries in which we operate. However, the ultimate impacts of COVID-19 on our business are currently unknown. We are monitoring the situation and will take precautionary and pre-emptive actions that we determine are in the best interests of our business.

We cannot predict the effects that such actions may have on our business or on our financial results. We have considered available information in respect of our customers & route to market, supply chain, people and infrastructure against a backdrop of management information since the year-end and the inherent uncertainties of the COVID-19 pandemic.

### Principal risks and uncertainties

**Impact of Brexit:** We continue to believe that a no deal Brexit would be a negative outcome for HEU and the UK economy, therefore strongly hope that a 'no-deal Brexit' is averted, and its impact on the economy would be minimised. At the same time, in anticipating a possible 'no-deal Brexit', Hitachi has been assessing the impact on its business and considering countermeasures. Specifically, Hitachi has been scrutinising risks by investigating the possible impact to each Hitachi Group business from various aspects, including (i) supply chain, (ii) regulatory approval, (iii) foreign exchange and financial impact, (iv) availability of human resources, and (v) investment plans. Hitachi will continue to implement comprehensive risk assessments and will take any necessary measures required to avoid potential issues such as cost increase or delays in delivery.

**Credit risk:** The company aims to reduce any financial loss relating to the risk that a party to a financial transaction does not adhere to agreed terms and conditions by regular monitoring of customer balances by the credit control department. The company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers and other Hitachi companies who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the company's trade and other receivables are shown in note 17 to the financial statements.

**Liquidity risk:** The aims of the company are to control any financial risks they face from their day-to-day operations. The company aims to mitigate liquidity risk by managing cash generation by its operations. The company manages liquidity by constantly monitoring forecast and actual cash flows to ensure it has sufficient funds available to meet its operational requirements. The company also has access to longer term funding from its ultimate parent if required.

**Foreign Currency risk:** The company's functional currency is GBP however it has transactional currency exposures which arise from sales and purchases in currencies other than its functional currency, mainly Euro, US Dollar and Japanese Yen. Potential exposures to foreign currency exchange rate movements are monitored through 12 month rolling cash flow forecasts in all currencies in which the company trades. These are reviewed monthly by the finance department and appropriate actions are taken to manage net open foreign currency positions. The company also uses forward exchange contracts to minimise the risk of currency fluctuations (see note 20).

**Interest rate risk:** The company has various loans and financial liabilities. Loans and pooling deposits payable are with other Hitachi group companies. The directors consider that the interest rate risk is at an acceptable level and that no hedging of interest rates is necessary.

## Strategic report (continued)

### Section 172 Statement

This section of our report describes how the Directors have had regard to the matters set out in section 172 of the Companies Act 2006. Section 172 requires Directors to act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholder as a whole. The Directors receive guidance on their duties from the Company Secretary, including in relation to Section 172, and have been briefed on these reporting requirements. The Board and its Executive Committee will continue to provide increased focus on stakeholder interests in the current Financial Year and beyond.

Through open and transparent dialogue with stakeholders, the Company has developed a clear understanding of their needs and understands their importance to both the Company's short- and long-term strategies. Matters that are considered of strategic importance to the Company are presented to and considered by the Executive Committee and are subject to review and challenge by the Board.

Stakeholder engagement has been developed to reflect the core activities of the Company namely:

- As European regional headquarters and a wholly owned subsidiary of Hitachi, Ltd.
- Providing business support services to other Hitachi Group businesses in Europe
- Supplying business products and services to external customers

The Company therefore considers its key stakeholder groups to be:

- Employees
- Customers and Suppliers
- Partners
- Community/Society/Environment

### Employees

Our 420 employees which also includes all HEU subsidiaries are key to our business. We recognise that part of being a successful business involves effective engagement with our employees, understanding and listening to the issues that affect them. Annually, we undertake an employee survey. In FY19 over 70% of staff took part. The survey provides a point in time view of and, over time, allows tracking of employee satisfaction. Questions related to employee satisfaction include training, work life balance, support and facilities. The Employee Survey results were reviewed by the Directors and it was agreed that areas of importance to employees will be reviewed at future Executive Committee and Board meetings. The development and review of policies including maternity pay and flexible working were also agreed as a result. Town Hall meetings are held by the Managing Director and Deputy Managing Director to update and inform staff, with the opportunity to ask questions. Issues this year have included Company performance and employee welfare including the potential relocation of the Head Office site. Feedback from the Town Hall meetings is discussed by the Executive Committee and reflected in reports to the Board.

## Strategic report (continued)

### Customers and Suppliers

Customers are at the heart of our business. Our Social Innovation Forum was held in Milan, Italy. The event provided the opportunity for technology and social infrastructure leaders from across Europe to share ideas about how best to apply the latest and emerging digital solutions to solve society's challenges. The event allows Hitachi Group businesses to share insights with and hear from leading industry figures on current trends and strategies. This year the focus was on "Human-Centric Digital Transformation". The event brought together over 500 customers, suppliers and partners, raising the Company's profile and gaining feedback on new products and services, as well as providing an opportunity for business networking. The Company also regularly schedules customer and distributor conferences to support its customer base and promote its new products. The Board is fully supportive of all these initiatives. The whole value chain is important to the Company's business. We work with our suppliers to ensure they are aware of our policies and objectives and operate accordingly. Strategy meetings are regularly held with key suppliers. We participated in a number of Trade Shows and exhibitions, engaging with both suppliers and customers including at IFA Berlin, a leading trade show for consumer electronics and home appliances, as well as exhibiting our 3D LiDAR(TOF) sensor at key events in London and Dusseldorf.

### Partners

It is difficult to overcome complex societal challenges alone. That is why we believe it is essential to co-create with various partners to deliver the change the world needs. Our projects are all about engagement, from the design phase to delivery. We work closely with partners to develop viable new solutions to societal issues. Our projects on the Isles of Scilly, and Optimise Prime focused on fleet EV, have involved close collaboration with a number of partners at all project stages, to ensure the optimal outcome.

### Community/Society/Environment

Hitachi's corporate credo is to "contribute to society through the development of superior, original technology and products." We seek solutions to environmental issues, which are of serious concern to society. In doing this we are also aware of our impact on the communities and environment in which we operate. Many of our projects require us to engage with the local communities around them. Our partnership project on the Isles of Scilly had community engagement at its core. As well as establishing a local office on the islands so the community could drop in and meet representatives face-to-face we also used newsletters, meet and greets, and attended local Council meetings to keep the community engaged and informed. We also regularly engage in stakeholder dialogue, for example an annual event is held in Brussels to engage with the private, public and third sectors on topical issues related to Hitachi's approach to sustainability. Financial Year 2019's stakeholder dialogue focused on visualisation of social impact. The planning and strategy for this dialogue was reviewed and agreed by the Directors and the outcome of the event will shape Hitachi's approach to how we take account of our impact on society. The Company takes its responsibilities in respect of Modern Slavery extremely seriously, including reviewing and addressing issues in its supply chain and implementing policies to mitigate any impact. The Company's Modern Slavery Act Statement is available on its website. Our statement is reviewed by the Executive Committee and approved by the Board. We have established a Responsible Supply Chain Working Group to continue to embed human rights within our functions and develop our engagement with our supply chain.

Approved by the board and signed on its behalf



N Nishida  
Managing Director  
Date: 21<sup>st</sup> August 2020

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Registered No. 02210686

## Directors' report

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

### Business Review

A review of the Company's business, future developments and principal risks is detailed further on pages 2 to 5 of the Strategic Report.

### Directors

The directors who served the company during the year and to the date of this report were as follows:

S J Gomersall	British	Resigned 31 <sup>st</sup> March 2020
Y Ogura	Japanese	Appointed 1 <sup>st</sup> October 2017 and resigned 31 <sup>st</sup> March 2020
S K Pierce	British	Appointed 1 <sup>st</sup> October 2017
N Nishida	Japanese	Appointed 1 <sup>st</sup> April 2018
Y Ito	Japanese	Appointed 20 <sup>th</sup> April 2018 and resigned 31 <sup>st</sup> March 2020
H Abdessamad	American	Appointed 1 <sup>st</sup> April 2020
L Dellagiovanna	Italian	Appointed 1 <sup>st</sup> April 2020
H Yagi	Japanese	Appointed 1 <sup>st</sup> April 2020

### Directors' qualifying third party indemnity provision

The company has granted an indemnity to six of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the directors' report.

### Financial risk management, objectives and policies

The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of the company's performance objectives.

The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

### Overseas Branches

The company has overseas branches in South Africa, Turkey, Poland, Denmark, Switzerland.

## **Directors' report (continued)**

### **Going concern**

Hitachi Europe Limited is a direct 100% owned subsidiary of Hitachi, Ltd. a company incorporated in Japan. Hitachi Europe is the Regional Corporate Centre for Hitachi, Ltd. Also recognised as the home for significant European businesses as well as the main provider of shared services operations for Hitachi Companies in Europe. Hitachi, Ltd. has continually demonstrated in the past a financial commitment to Hitachi Europe by funding fully the defined benefit pension deficit and by investing substantial funds for further onward investment into key European businesses.

The Directors have considered the forecast cashflows of the company, considering a reasonable worse case impact of COVID-19 on the operations and performance of the company. Taking these forecasts into account, the Directors believe that the company has sufficient cash reserves to continue as a going concern for a period of at least 12 months from the approval of these financial statements. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of the company's parent, Hitachi, Ltd., to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Hitachi Europe Ltd to continue as a going concern or its ability to continue with the current banking arrangements.

Notwithstanding this assessment, Hitachi, Ltd have confirmed that they will continue to support the Company in order to allow it to satisfy its financial obligations for a period of at least 12 months from the approval of these financial statements, should it be required. The Directors are satisfied that the ultimate parent undertaking Hitachi, Ltd has the ability to provide this support.

On this basis, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Research and development**

The company operates a research laboratory in Cambridge with the aim of creating new concepts of advanced electronic and optoelectronic devices.

### **Environment**

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the company's activities.



## **Directors' report (continued)**

### **Community**

We are committed to conducting business ethically ensuring that risk of slavery and human trafficking taking place within our business or our supply chain is mitigated. The Group's statutory statement under the Modern Slavery Act is published on our website.

### **Corporate responsibility**

The company recognises that, as part of the wider community of employees, customers, suppliers, shareholders, and others, it has a responsibility to act in a way that respects the environment and minimises any adverse impacts caused by its operations.

As a global citizen the company aims to promote innovation throughout the world while developing the potentials of the future generation to pioneer next-generation products and services.

### **Health and safety**

The company strives to provide and maintain a safe environment for all employees, customers and visitors to its premises and to comply with relevant health and safety legislation. In addition, the company aims to protect the health of employees with suitable, specific work-based strategies, seeking to minimise the risk of injury from company activity and ensure that systems are in place to address health and safety matters. Compliance with the company policy is monitored centrally.

Health and safety risk assessments have been carried out and additional actions and controls have been implemented and training conducted to ensure that employees can carry out their functions in a safe and effective manner.

### **Disabled employees**

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

### **Employee involvement**

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information about the company has been continued through a companywide quarterly newsletter which provides information on current business activities. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

## Directors' report (continued)

### Streamlined Energy and Carbon Reporting (SECR)

This is the first year Hitachi Europe Limited ('Hitachi Europe') has been required to report greenhouse gas ('GHG') emissions in the Directors' report in line with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

#### About Us:

Hitachi Europe is part of the Hitachi Group and is a wholly-owned subsidiary of Hitachi, Ltd. in Japan. Our business in the UK is headquartered in Maidenhead, with additional presences in London and Cambridge. Though out of scope for this report Hitachi Europe also runs branch offices in Istanbul (Turkey), Warsaw (Poland), Zurich (Switzerland), Johannesburg (South Africa) and Copenhagen (Denmark), and a representative office in Bucharest (Romania).

#### Our GHG reporting approach:

Our GHG emissions are reported in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e), for the period 1 April 2019 to 31 March 2020.

Our approach to reporting is based on the GHG Protocol Corporate Accounting and Reporting Standard. In line with the guidance on SECR we have included the energy and emissions for the buildings we own and operate (those within our financial control boundary) and also those where we lease facilities and are responsible for the energy consumption (but which are outside our financial control).

We have used the latest Defra emissions factors, and our gross emissions total in the table applies the 'location based' accounting methodology for grid emissions. We have also shown the net benefit of our renewable energy procurement via our suppliers, applying the 'market-based' accounting methodology, which is included in our net emissions total.

We have chosen the intensity measure gross scope 1 and 2 emissions in tCO<sub>2</sub>e per square meter as our activity is predominantly office based.

**Directors' report (continued)**

Hitachi Europe Limited Energy Consumption and associated greenhouse gas emissions.	2019/20
Consumption	
Total Energy consumption (electricity) (kWh)	2,073,493
Total Energy consumption (gas) (kWh)	1,437,805
Total vehicle fuel consumption (kWh)*1	159,676
Emissions	
Emissions from combustion of fuel– gas (Scope 1) (tCO2e)	264,341
Emissions from business travel – company owned (Scope 1) (tCO2e)	76
Emission from electricity purchased for own use – company owned (Scope 2) (tCO2e)	488,375
Emission from electricity - use in a leased building (Scope 3) (tCO2e)*2	41,610
Emissions from business travel – rental or employee owned (Scope 3) (tCO2e)	46,995
Total Annual Gross Emissions	841,396
Emissions reduction from the purchase of renewable energy (market-based carbon accounting benefit)	239,214
Total Annual Net Emissions	602,182
Annual GHG intensity measure (tCO2/unit)	2019/20
GHG emissions tCO2e/sqm	0.07

\*1 – assumption made that hybrid vehicles are petrol fuel for conversion to kWh

\*2 – data does not include one leased office location in London, which comprises a single leased office on a shared use floor, with no submetering. Due to the size of the office it is not considered material to our reporting.

## Directors' report (continued)

### Energy Efficiency action taken in financial year 2019/20

Hitachi Europe is committed to reducing its GHG emissions, and as part of the Hitachi Group we are working towards achieving the environmental targets set by Hitachi, Ltd. The targets and more details can be found at: [web link](#)

<http://www.hitachi.com/environment/vision/index.html>

From October 2019, 100% of electricity supplied to our Maidenhead site was from accredited renewable energy sources backed by Renewable Energy Guarantees of Origin (REGOs). We have reported this market-based benefit separately in the table above.

In our Maidenhead office building we have been transferring to LED lighting including our emergency lighting. Lighting in our canteen facility now comprises 100% LED bulbs and we will continue to transfer other parts of the office.

We will continue to identify areas to improve energy efficiency in financial year 2020 across our office locations.

### Working in partnership

At Hitachi Europe it isn't just about what we can do ourselves, it's about how we work across our whole value chain from suppliers to our customers and clients. Our business is focused on social innovation and it underpins everything we do, to enable us to find ways to tackle the biggest issues we face today and to determine how we use these innovations to make a real difference to the world. Many of these projects support our customers and partners in reducing their own carbon impacts. Projects include:

#### Isles of Scilly

Unique and remote, the Isles of Scilly lie 28 miles off the tip of Land's End. With five inhabited islands supporting a permanent population of just over 2,200, Scilly attracts over 100,000 visitors each year. The islands are carbon-intensive, ranking 8th highest in England for fuel poverty due to their dependence on mainland electricity and imported fossil fuels, such as petrol, bottled gas and heating oil. But the Isles of Scilly have bold energy goals for their future. Learn more here about how Hitachi is working in partnership: [web link](#)

<https://www.hitachi.eu/en/case-studies/smart-energy-islands>

#### Stena Line

With aims to become the world's first cognitive ferry company, Stena Line asked Hitachi to identify software solutions that could help make operations more efficient in shipping - improving safety and supporting ships in reducing fuel consumption and emissions. By introducing AI technologies, Hitachi was able to identify the key factors causing high fuel consumption and advise how to make operations more efficient and environmentally sustainable. Learn more here: [web link](#).

<https://www.hitachi.eu/en/case-studies/ai-captain-future-ship-navigation-sweden>

## **Directors' report (continued)**

### **Disclosure of information to the auditors**

Each of the persons who are a Director at the date of approval of this report confirms that:

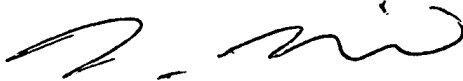
1. so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
2. the Director has taken all the steps that he or she ought to have taken as a Director in order to make him or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

### **Auditors**

A resolution to reappoint Ernst & Young LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the board and signed on its behalf



N Nishida  
Managing Director  
Date: 21<sup>st</sup> August 2020

Registered No. 02210686

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

# **Independent auditors' report**

**to the members of Hitachi Europe Limited**

## **Opinion**

We have audited the financial statements of Hitachi Europe Limited for the year ended 31 March 2020 which comprise the Income Statement, the Statement of comprehensive income, the Balance Sheet and the Statement of changes in equity and the related notes 1 to 29 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2020 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

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

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

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **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.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

# **Independent auditors' report (continued)**

**to the members of Hitachi Europe Limited**

## **Other information (continued)**

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

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

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

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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.



## **Independent auditors' report (continued)**

**to the members of Hitachi Europe Limited**

### **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



Paul Etherington (Senior statutory auditor)

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

Reading

Date 24 August 2020

Registered No. 02210686

## Statement of profit and loss

for the year ended 31 March 2020

		2020	2019
	Notes	£000	£000
<b>Revenue</b>			
Sale of goods		82,291	79,206
Rendering of services		70,738	67,358
Rental income	14	594	1,033
	3	153,623	147,597
Cost of sales		(88,526)	(84,809)
<b>Gross profit</b>		65,097	62,788
Distribution costs		(10,986)	(14,931)
Administration expenses		(53,842)	(47,857)
Pension expense	24	(605)	(790)
Other operating expenses	5	(655)	(10,988)
Other operating income	6-7	15,398	10,016
<b>Operating profit/(loss)</b>		14,407	(1,762)
Loss on asset held for sale	21	(3,185)	-
Finance and other similar income	8	3,826	4,485
Finance and other similar costs	9	(2,165)	(2,686)
<b>Profit before taxation</b>		12,883	37
Tax	12	36	289
<b>Profit for the financial year</b>		12,919	326

Registered No. 02210686

**Statement of comprehensive income**

for the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Profit for the financial year		12,919	326
<b>Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods:</b>			
Actuarial gain in respect of defined benefit pension scheme	24	605	790
Total comprehensive income for the year, net of tax		13,524	1,116

**Statement of changes in equity**

for the year ended 31 March 2020

	Issued capital £000	Retained losses £000	Total Equity £000
As at 1 April 2019	263,349	(89,797)	173,552
Profit for the year	-	326	
Other comprehensive income	-	790	
Total comprehensive loss	-	1,116	1,116
At 31 March 2020	263,349	(88,681)	174,668
Profit for the year	-	12,919	12,919
Other comprehensive Income	-	605	605
Total comprehensive Income	-	13,524	13,524
At 31 March 2020	263,349	(75,157)	188,192

Registered No. 02210686

**Statement of financial position**


as at 31 March 2020

	Notes	2020 £000	2019- Restated £000
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment	13	1,076	14,907
Right-of use assets	14	1,961	-
Intangible assets	15	220	299
Investments	16	47,568	47,568
Other non-current financial assets	19	43,500	43,500
		<u>94,325</u>	<u>106,274</u>
<b>Current assets</b>			
Inventories	17	23,450	25,886
Trade and other receivables	18	58,574	57,629
Prepayments and accrued income		2,007	1,751
Other current financial assets	19	389,381	466,914
Cash and cash equivalents		<u>6,051</u>	<u>8,035</u>
		<u>479,463</u>	<u>560,215</u>
Non-current asset classified as held for sale	21	10,287	-
<b>Total assets</b>		<u><u>584,075</u></u>	<u><u>666,489</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	22	263,349	263,349
Retained losses		<u>(75,157)</u>	<u>(88,681)</u>
<b>Total equity</b>		188,192	174,668
<b>Non-current liabilities</b>			
Lease liability	14	1,700	-
Provisions	23	1,329	1,304
Employee benefit liabilities	24	-	-
		<u>3,029</u>	<u>1,304</u>
<b>Current liabilities</b>			
Trade and other payables	25	61,193	68,130
Lease liability	14	569	-
Other current financial liabilities	19	330,362	421,045
Corporation tax		428	614
Provisions	23	<u>302</u>	<u>728</u>
		<u>392,854</u>	<u>490,517</u>
<b>Total liabilities</b>		<u>395,883</u>	<u>491,821</u>
<b>Total equity and liabilities</b>		<u><u>584,075</u></u>	<u><u>666,489</u></u>

Approved by the Board and signed on its behalf

N Nishida

Managing Director

21<sup>st</sup> August 2020


## Notes to the financial statements

at 31 March 2020

## Notes to the financial statements

at 31 March 2020

### 1. Accounting policies

#### *Corporate information*

The financial statements of Hitachi Europe Limited for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors. Hitachi Europe Limited is a limited company incorporated and domiciled in England & Wales. The registered office is located at Whitebrook Park, Lower Cookham Road, Maidenhead SL6 8YA in England.

#### *Basis of preparation*

The financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework".

The financial statements have been prepared on a going concern and historical cost basis. The financial statements are presented in GBP and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

#### *Going Concern*

Hitachi Europe Limited is a direct 100% owned subsidiary of Hitachi, Ltd. a company incorporated in Japan. Hitachi Europe is the Regional Corporate Centre for Hitachi, Ltd. and also is recognised as the home for significant European businesses as well as the main provider of shared services operations for Hitachi Companies in Europe. Hitachi, Ltd. has continually demonstrated in the past a financial commitment to Hitachi Europe by funding fully the defined benefit pension deficit and by investing substantial funds for further onward investment into key European businesses.

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of the company's parent, Hitachi, Ltd., to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Hitachi Europe Ltd to continue as a going concern or its ability to continue with the current banking arrangements.

Notwithstanding this assessment, Hitachi, Ltd have confirmed that they will continue to support the Company in order to allow it to satisfy its financial obligations for a period of at least 12 months from the approval of these financial statements, should it be required. The Directors are satisfied that the ultimate parent undertaking Hitachi, Ltd has the ability to provide this support.

On this basis, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Notes to the financial statements

At 31 March 2020

### 1. Accounting policies (continued)

#### *FRS 101 disclosure exemptions*

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of :
  - (i) paragraph 79 (a)(iv) of IAS 1;
  - (ii) paragraph 73 (e) of IAS 16 Property, Plant and Equipment;
- (d) the requirements of paragraphs 10 (d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of IAS 7 Statement of Cash Flows. The company is exempt from preparing a cash flow statement as a group cash flow statement is prepared by its ultimate parent company.
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (i) the requirements of paragraphs 134 (d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets

#### *Group financial statements*

The company is exempt, by virtue of s401 of the Companies Act, from the requirement to prepare group financial statements as it is a wholly owned subsidiary of Hitachi, Ltd., a company incorporated in Japan, and is included in the publicly available consolidated financial statements of this entity. The financial statements are available at the address stated in note 28. Therefore, these financial statements present information about the company and not its group.

## Notes to the financial statements

At 31 March 2020

### 1. Accounting policies (continued)

#### ***Segmental analysis***

Hitachi Europe Limited operates in competitive international markets and information on competitor activity is not available. In the opinion of the directors, disclosure of the information required by the Companies Act 2006 would be harmful to the interests of the company.

#### ***Revenue recognition***

Management has made the following judgement, which have the most significant effect on the amounts recognised in the financial statements in line with five steps approach.

##### **Step-1 Identify contracts with customer**

For each revenue stream the company have analysed the following conditions in determining the contracts with the customer;

- 1) The contract has been approved by the parties to the contract
- 2) Each party's rights in relation to the goods or services transferred can be identified
- 3) The payment terms for the goods or services transferred can be identified
- 4) The contract has commercial substance; and it is likely that the amount that the entity is entitled to in exchange for the goods or services will be collected.

##### **Step-2 Identify the performance obligation**

At the inception of the contract, the company has assessed the goods or services that have been promised to the customer, and identified the following performance obligation;

*3rd Party product sales and services revenue performance obligations were identified as follows;*

- 1) A good or service (or bundle of goods or services) that is distinct.
- 2) A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

For each contract, we have identified applicable performance obligation delivered as part of sales agreement.

The Company has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

#### **Principal versus agent identification**

Where HEU provides intermediary services, this is classified as agent between supplier, and end customers. The company determined that it does not control the goods that they are transferred to customers, and it doesn't have the ability to direct the use of the goods.

The following factors that indicate that the company does not control the goods before they are being transferred to customers. Therefore, the company determined that is an agent in these contracts.

The company is not primarily responsible for fulfilling the promise to provide the specific goods.

The company doesn't have inventory risk before or after the specified goods has been transferred to customer.

The company has no discretion in establishing the price for specific goods.

## Notes to the financial statements

At 31 March 2020

### 1. Accounting policies (continued)

#### *Revenue recognition (continued)*

#### **Principal versus agent identification (continued)**

*For entrustment revenue streams the following performance obligations were identified;*

#### *General management, sales and admin support*

These are general to support key personnel performing management functions, mainly related to Japanese expats sent from Hitachi Ltd or local senior management who has specific corporate or HQ function as regional HQ of Europe.

#### *Delivery of specific project or services*

Form part of funding from Japan for European research, social innovation, business development and ITG improvement projects.

*For shared services revenue stream the following performance obligations were identified;*

#### *General Management or Admin support, Rent and Licensing based on SLA*

This related to general management and admin support for back-office function related to F&A, HRG, IT, Facilities, legal and procurement. It is based on provision of availability or resources or volume-based transaction like payroll or expense claim.

#### *Delivery of service or Projects*

Specific project or services mainly IT projects or tax or audit services based on scope of work, usually agreed upfront before work starts.

### **Step-3 Determine the transaction price**

*3<sup>rd</sup> Party product and sales revenue stream, the following was determined:*

The company determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods and services given the large number of customer contracts that have similar characteristics.

In estimating the variable consideration for the sale of goods with discounts, the company determined that using a combination of the most likely amount method and expected value method is appropriate.

The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the company considers whether the amount of variable consideration is constrained.

The company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

*For shared service revenue stream, the following was determined;*

Majority of the transaction prices are fixed if it is based on general services like month end close (finance), ongoing application or infrastructure support, legal retainer fees.



## Notes to the financial statements

At 31 March 2020

### 1. Accounting policies (continued)

#### *Revenue recognition (continued)*

This is based on cost per annum, monthly or quarterly basis. Normally driven by people, consultancy and other overheads budgeted upfront with inflationary impact on annual basis.

Variable element is mainly linked to transaction-based services like payroll, payment runs, invoice processed, expenses claims support or benefits provision, either based on volume or number of headcounts supported.

*For entrustment revenue stream, the following was determined;*

The company has identified the transaction prices are fixed either annually, half yearly or quarterly based on budget submitted and agreed with customers therefore these are treated as fixed price.

There are minority contract which is based on actual spending, therefore billed in arrears. This highlight a variable element.

#### **Step-4 Allocate price to performance obligations**

*For 3<sup>rd</sup> Party product and sales revenue stream, the following were determined*

Where a contract has multiple performance obligations, the company allocates the transaction price to the performance obligations in the contract by reference to their relative standalone selling prices.

If a standalone selling price is not directly observable, the company estimates using the following methods:

- 1) Adjusted market assessment approach
- 2) Expected cost plus a margin approach

Any overall discount compared to the aggregate of standalone selling prices is allocated between performance obligations on a relative standalone selling price basis. In certain circumstances, it may be appropriate to allocate such a discount to some but not all the performance obligations.

*Shared service revenue/Entrustment revenue streams, the following was determined*

For each contract the transaction price is allocated to the individual performance obligation based on standalone selling price, of the promised service.

#### **Step-5 Recognise revenue when performance obligation complete**

Revenue is recognised as control is passed over time or at a point in time.

*3<sup>rd</sup> Party product and sales revenue stream, the following was determined;*

Revenue from the sale of the products are recognised at a point in time, generally upon delivery of the goods when control is transferred to the customer.

The company recognises revenue over time if one of the following criteria is met:

1. The customer simultaneously receives and consumes all the benefits provided by the entity as the entity performs.
2. The entity's performance creates or enhances an asset that the customer controls as the asset is created.
3. The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

## Notes to the financial statements

At 31 March 2020

### 1. Accounting policies (continued)

#### *Revenue recognition (continued)*

*Shared service revenue stream, the following was determined;*

##### **Overtime vs Point in Time**

*General Management, Administration, Rent and Licencing support based on SLA*

**Over-time-** As this is related to on-going service related to available resources and cost. Some are based on volumes such as expense claims and headcount for payroll, but monthly, determined by SLA.

*Delivery of service or Projects*

**Point in time** - as and when project or work completed and signed off by customers.

*For entrustment revenue stream, the following was determined;*

The Company concluded that revenue for Management or Admin support is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Company.

The Company recognises revenue from project and specific services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company.

#### **Investments in subsidiaries and associates**

Investments in subsidiaries and associates held as fixed assets are stated at cost less amounts provided. The carrying values of fixed asset investments are reviewed for impairment on an annual basis and when there are events or changes in circumstances which indicate that the carrying value may not be recoverable.

#### **Intangible assets**

Software intangibles are stated at cost, net of accumulated amortisation. The useful lives of software intangibles are as follows:

Computer software                      – 3 years (straight line)

#### **Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Depreciation is provided to write off the costs less the estimated residual value of assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	– 50 years
Structures	– 15 years (or lesser of life of lease)
Machinery	– 5 years
Motor vehicles	– 3 years
Tools, furniture and fixtures	– 5 years

No depreciation is provided on freehold land or assets in the course of construction.

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

Borrowing costs related to tangible fixed assets are expensed in the period they are incurred.

## Notes to the financial statements

At 31 March 2020

### 1. Accounting policies (continued)

#### *Foreign currencies*

The financial statements are presented in British Pounds, which is also the company's functional currency. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Transactions in foreign currencies are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The company uses forward foreign currency contracts to reduce exposure to fluctuating foreign exchange rates. The company considers these derivative instruments qualify for hedge accounting when certain criteria are met as follows:

- a) The instrument must be related to a firm foreign currency commitment;
- b) It must involve the same currency as the hedged item, and
- c) It must reduce the risk of foreign currency exchange movements on the company's operations.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial liabilities, or where the instrument is used to hedge a future committed transaction, are not recognised until the transaction occurs.

Gains and losses on derivative financial instruments designated as cash flow hedges and assessed as effective for the period are recognised in other comprehensive income and creates a reserve in equity in accordance with the requirements of IAS 39. Gains and losses taken to equity are reflected in the statement of profit and loss when the financial asset or liability affects the profit or loss.

#### *Taxation*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The charge for taxation is based on the results for the year and takes into account taxation deferred because of temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values.

Deferred taxation is recognised using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values. Deferred income taxation is determined using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date and are expected to apply when the related deferred tax asset or liability is realised or settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax balances are not discounted.

Revenue, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of sales tax included

## Notes to the financial statements

At 31 March 2020

### 1. Accounting policies (continued)

#### **Leases**

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

Right-of-use assets are recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use) and are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office buildings	3-8 years
Vehicles	2-3 years

Lease liabilities are 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. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating the lease, if the lease term reflects the option to terminate.

The Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. This interest rate is the average yield of bonds issued and outstanding in the same industry and with the same rating as Hitachi Ltd, which are obtained from Bloomberg for Japan, USA, Europe and UK.

The Company elected not to recognise right of use of asset and lease liability to short term leases with a lease terms of 12 months or less. It also applies the lease of low-value assets recognition exemption for leases of less than \$5,000 when new. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	– Weighted average
Work in progress and finished goods	– Cost of direct materials and labour plus attributable overheads based on a normal level of activity

In respect of spare parts, the cost is determined on a FIFO basis and then a provision is made to write off each product line over its estimated technological life.

Net realisable value is based on estimated selling price in the ordinary course of business, less all further costs to completion and all relevant marketing, selling and distribution costs.

## Notes to the financial statements

At 31 March 2020

### 1. Accounting policies (continued)

#### *Impairment of non-financial assets*

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's value in use (recoverable amount). It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its value in use, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows 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.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

#### *Cash and short-term deposits*

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less.

#### *Provisions*

A provision is recognised when the company has a 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.

#### *Warranty provisions*

Provision for warranty cost is made either by a cost accrual or turnover deferral at the time of sale. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

#### *Financial instruments*

##### *Financial assets*

##### *Initial recognition and measurement*

Financial assets within the scope of IAS 39 are all classified as financial assets at fair value through profit or loss (FVTPL) or loans and receivables as appropriate. The company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss and investments in subsidiaries carried at historical cost.

##### *Financial assets at FVTPL*

Financial assets are classified as FVTPL when they are acquired principally for the purpose of selling in the near term.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at cost less impairment. The losses arising from impairment are recognised in the income statement in finance costs for loans and in operating expenses for receivables.

##### *De-recognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired

## Notes to the financial statements

At 31 March 2020

### 1. Accounting policies (continued)

#### *Financial instruments (continued)*

- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through arrangement; and either (a) the company has transferred substantially all the risks and rewards of the assets, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### *Impairment of financial assets*

The company assesses at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset and the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

#### *Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition.

The company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivative financial instruments.

##### **Loans and borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective rate of interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

##### *Financial guarantee contracts*

Financial guarantee contracts issued by the company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment in accordance with the terms of a debt instrument. Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance agreements, and accounts for them as such. In this respect the Company treats the guarantee contract as a contingent liability until such time when it becomes probable that the Company will be required to make a payment under the contract.

## Notes to the financial statements

At 31 March 2020

### 1. Accounting policies (continued)

#### *Loans and borrowings (continued)*

##### *De-recognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

##### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### *IFRS 9 Financial Instruments*

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. The Company has applied this new standard effective 1 January 2018 and there was no impact or prior period adjustment on adoption.

- The company has assessed its financial assets, which include cash and cash equivalents and trade and other receivables, and the changes did not have a material impact on its financial statements.
- The company has reviewed its approach to the expected credit loss provision calculation, and this is in accordance with IFRS 9 and allows for the recognition of the lifetime expected credit losses at every reporting date.

#### *Pension costs*

The company operates defined benefit and final salary pension schemes. The assets of the schemes are held separately from those of the company.

Pension scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. Pension scheme assets are measured using market values at the balance sheet date.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The company also operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

#### *Government grants*

Government grants are recognised initially in the balance sheet as deferred income when there is reasonable assurance that the company will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss as other income on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs are recognised in profit or loss in the period in which they become receivable.

## Notes to the financial statements

At 31 March 2020

### 1. Accounting policies (continued)

#### *Changes in accounting policies*

The Company applied IFRS 16 Leases for the first time from April 2019. Other than the changes described below the accounting policies adopted are consistent with those of the previous financial year.

#### **IFRS 16 Leases**

IFRS 16 supersedes IAS 17 leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the substance of transactions involving the legal form of lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption the date of initial application of 1<sup>st</sup> of April 2019. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1<sup>st</sup> of April 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain purchase option (short term leases) and lease contracts for which the underlying asset is of low value (low value assets.)

When applying a modified retrospective approach to leases, which were previously classified as operating leases under IAS17 The Company considered the following practical expedients: short-term leases exemptions to leases with lease term that ends within 12 months of the date; excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application, used hindsight in determining the lease term where the contract contained options to extend or terminate the lease, relied on its assessment of whether leases are onerous immediately before the date of initial application.

Based on the above, as at 1 April 2019:

Right-of -use assets of £2,274,000 were recognised and presented separately in the statement of financial position.

Lease liabilities of £2,614,000 were also recognised

The lease liabilities at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019, as follows:



## Notes to the financial statements

At 31 March 2020

### 1. Accounting policies (continued)

#### *IFRS 16 Leases (continued)*

	£
Operating lease commitments as at 31 March 2019	£3,269,000
Weighted average incremental borrowing rate as at 1 April 2019	1.29%
Impact of discounting	£2,558,000
Less:	
Commitments related to short term leases	(£ 177,000)
Add:	
Commitments previously not included as at 31 March 2019	£ 83,000
Lease payment relating to renewal periods not included in Operating lease commitments as at 31 March 2019	£ 150,000
Lease liabilities as at 1 April 2019 (transition amount)	£ 2,614,000
Current lease liabilities as at 1 April 2019	£ 496,000
Non-Current liabilities as at 1 April 2019	£ 2,118,000

In calculating the lease liability to be recognised on the adoption, the Company used a weighted average incremental borrowing rate at 1 April 2019 ranging from 1.357% to 2.051%.

#### **IFRS 5 Asset held for sale**

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment classified as held for sale are not depreciated once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the Statement of Financial Position. Additional disclosure has been included within Note 21.

## Notes to the financial statements

At 31 March 2020

### 1. Accounting policies (continued)

#### Re-statement of prior year

The prior year balances for Other current financial assets and Other financial liabilities have been restated to accurately reflect the elimination of certain intercompany balances refer to note 19.

Impact on assets and (liabilities):

	Original	Correction	Restated
	£	£	£
Other current financial assets	£ 544,424,000	(£77,510,010)	£466,913,990
Other current financial liabilities	(£498,555,000)	(£77,510,010)	(£421,044,990)

### 2. Significant accounting estimates and assumptions

The preparation of the company's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosure. Uncertainty about these assumptions and estimates could result in an outcome that requires a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### *Pension benefits*

The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### *Determining the lease term of contracts with renewal and termination options- lessee*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

#### *Asset held for sale*

The company's Whitebrook property has been classified as held for sale as of 31/03/2020. The Board considered the property to meet the criteria to be classified as held for sale for the following reasons:

## Notes to the financial statements

At 31 March 2020

### 2. Significant accounting estimates and assumptions (continued)

#### *Asset held for sale*

- The property at Whitebrook Park is available for immediate sale and can be sold to the buyer in its current condition.
- The actions to complete the sale were initiated and expected to be completed within one year from the date of its classification.
- A potential buyer has been identified and negotiations are at an advanced stage
- The shareholders of the company approved the plan to sell the property on 28 January 2020
- For further details refer to Note 21.

#### *COVID-19*

- The company has considered the known impact of COVID-19 on the recoverability of assets, carrying value of liabilities and performance of the company. No adjustments have been made to the financial statements as a result of this assessment

### 3. Turnover

Revenue, which is stated net of Value Added Tax and is in respect of continuing operations, represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities.

Sales from continuing activities by business segments and geographical location are as follows:

	2020	2019
	£000	£000
<b>Revenue by Business Segments</b>		
3 <sup>rd</sup> Party Product Sales	96,628	92,738
Entrustment Revenue	42,788	36,758
Shared Service	14,207	18,101
	<u>153,623</u>	<u>147,597</u>

#### **Sales by business segment by geographical location 31 March 2020**

	3 <sup>rd</sup> Party Product Sales 2020	Entrustment 2020	Shared Service 2020	Total 2020
UK	1,095		14,207	15,302
Other Western Europe	51,294			51,294
Eastern Europe	569			569
The Near and Middle East	4,805			4,805
Africa	6,841			6,841
Japan	92	42,788		42,880
Russia	1,379			1,379
Rest of the world	30,553			30,553
	<u>96,628</u>	<u>42,788</u>	<u>14,207</u>	<u>153,623</u>

## Notes to the financial statements

At 31 March 2020

### 3. Turnover (continued)

#### *Sales by business segment by geographical regions 31 March 2019*

	<i>3<sup>rd</sup> Party Product Sales</i>	<i>Entrustment</i>	<i>Shared Service</i>	<i>Total</i>
	<i>2019</i>	<i>2019</i>	<i>2019</i>	<i>2019</i>
UK	1,041		18,101	19,142
Other Western Europe	51,446			51,446
Eastern Europe	88			88
The Near and Middle East	13,194			13,194
Africa	2,522			2,522
Japan	3,266	36,758		40,024
Russia	2,076			2,076
Rest of the world	19,105			19,105
	<u>92,738</u>	<u>36,758</u>	<u>18,101</u>	<u>147,597</u>

*2020*  
*£000*

*2019*  
*£000*

#### *Revenue recognised at the point of time/over time*

Revenue recognised at the point of time	76,323	43,602
Revenue recognised over time	77,300	103,995
	<u>153,623</u>	<u>147,597</u>

During the year all revenue was derived from the sale of goods and services for cash and from entrustment revenue from the parent company.

## Notes to the financial statements

At 31 March 2020

### 4. Operating Profit/(Loss)

Profit/(Loss) for the year has been arrived at after charging/(crediting):

	2020	2019
	£000	£000
Included in distribution and administrative expenses:		
Auditors' remuneration – audit of the financial statements	234	234
Depreciation – tangible assets	376	969
Amortisation – intangible assets	91	61
Rentals payable under operating leases	432	1,248
Research and development expenditure	455	283
Net foreign currency gain/(loss)	112	(19)

### 5. Other operating expenses

	2020	2019
	£000	£000
Write down of investment	-	541
Restructuring costs	573	603
Head office impairment	-	9,600
Other	82	244
	<u>655</u>	<u>10,988</u>

### 6. Other operating income

	2020	2019
	£000	£000
R&D tax credit	1,219	379
Government grants (note 7)	3,156	3,121
Dividend received	10,914	6,395
Other	109	121
	<u>15,398</u>	<u>10,016</u>

### 7. Government grants

	2020	2019
	£000	£000
At 1 April	(254)	(292)
Cash received	3,408	4,882
Cash paid out to grant partners	(327)	(1,723)
Amount released to the statement of profit or loss	<u>(3,156)</u>	<u>(3,121)</u>
	<u>(329)</u>	<u>(254)</u>

The company receives government grants on behalf of the grant partners that are redistributed during the financial year.

## Notes to the financial statements

At 31 March 2020

### 8. Finance and other similar income

	2020	2019
	£000	£000
Interest income	64	20
Interest income from group companies	3,762	4,465
	<u>3,826</u>	<u>4,485</u>

### 9. Finance and other similar costs

	2020	2019
	£000	£000
Interest on debts and borrowings	103	7
Interest on lease liability (Note 14)	46	-
Interest payable to group companies	2,016	2,679
	<u>2,165</u>	<u>2,686</u>

### 10. Directors' emoluments

	2020	2019
	£000	£000
Directors' emoluments	<u>1,083</u>	<u>1,086</u>

The bonus elements included within the emoluments were £348,784 (2019; £352,694). No directors accrued benefits from any defined benefit pension scheme in Japan or from the Hitachi UK Pension Scheme (2019; nil).

The emoluments of the highest paid director were £533,062 (2019; £535,653). There were no pension contributions paid relating to the highest paid director.

The services of two directors are deemed incidental and as such they do not receive any remuneration for these services. These Directors are remunerated by another company within the Hitachi group.

### 11. Employee benefit expenses

	2020	2019
	£000	£000
Wages and salaries	25,245	26,017
Social security costs	2,318	2,184
Other pension costs	1,025	900
	<u>28,588</u>	<u>29,101</u>

## Notes to the financial statements

At 31 March 2020

### 11. Employee benefit expenses(Continued)

Pension costs of £1,024,796 (2019; £ 900,191) are in respect of the defined contribution scheme.

Above figures include directors' benefits.

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

	2020 No.	2019 No.
Sales	140	90
Administration	121	181
	<u>261</u>	<u>271</u>

### 12. Tax

(a) Tax on loss on ordinary activities

The Tax charge is made up as follows:

	2020 £000	2019 £000
UK Corporation tax at 19% (2019: 19%)	428	538
Adjustment in respect of previous year	<u>-</u>	<u>76</u>
	428	614
Foreign tax	324	-
Adjustment in respect of prior periods	<u>(788)</u>	<u>(903)</u>
	(464)	(903)
Total tax (note 12 (b))	<u>(36)</u>	<u>(289)</u>

(b) Factors affecting the total tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2019; £614) based on the standard rate of corporation tax in the UK of 19% (2019; 19%). The differences are reconciled below:

## Notes to the financial statements

At 31 March 2020

### 12. Tax (continued)

	2020 £000	2019 £000
Profit on ordinary activities before tax	12,883	37
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019; 19%)	2,448	7
Effects of:		
Expenses not deductible for tax purposes	215	252
Non-taxable income	(2,074)	(1,215)
Fixed asset timing difference	(1)	196
Movement in unrecognised tax losses	(765)	(525)
Tax loss utilised in the year	-	-
Other timing differences	605	1,824
Adjustments in respect of previous periods	(788)	(828)
Difference in UK tax rates	-	-
Overseas tax paid	324	-
Current year tax charge on non-trading income	-	-
Total tax (note 12(a))	(36)	(289)

#### (c) Deferred tax

Analysis of deferred tax

	2020 £000	Unrecognized 2019 £000
Depreciation and capital allowances	(217)	(275)
Tax losses available	10,696	11,922
Other timing differences	2	2
Deferred tax asset	10,481	11,649

A deferred tax asset of £10,481 (2019; £11,649) has not been recognised in respect of these losses and other timing differences because at present it is uncertain when there will be sufficient taxable profits in the company against which these losses can be offset.

#### 12. Factors that may affect future tax charges

The UK government announced that the reductions in the main rate of UK Corporation Tax, which was due to fall to 17% from 1 April 2020 were not longer to be implemented, with the main rate of UK Corporation Tax remaining at 19%. The relevant legislation regarding this matter has been significantly enacted at the moment of preparing these financial statements. The effect of these rate changes has been taken in to account when calculating the tax balances of the company at 31 March 2020.



## Notes to the financial statements

At 31 March 2020

### 13. Tangible fixed assets

	<i>Land</i> £000	<i>Freehold property</i> £000	<i>Structures</i> £000	<i>Plant and machinery</i> £000	<i>Tools, furniture &amp; fixings</i> £000	<i>Total tangible assets</i> £000
Cost:						
At 31 March 2019	12,000	35,454	1,755	5,677	696	55,582
Additions	-	-	13	92	-	105
Reclass (Asset held for sale)	(10,288)	(35,454)	-	-	-	(45,742)
Disposals	-	-	(436)	(136)	(155)	(727)
At 31 March 2020	1,712	-	1,332	5,633	541	9,218
Depreciation and impairment:						
At 31 March 2019	-	33,907	1,027	5,185	556	40,675
Depreciation charge for the year	-	74	112	150	40	376
Reclass (Asset held for sale)	-	(35,454)	-	-	-	(35,454)
Disposal	-	-	(383)	(117)	(140)	(640)
Loss on recognition of asset held for sale	1,712	1,473	-	-	-	3,185
At 31 March 2020	1,712	-	756	5,218	456	8,142
Net book value:						
At 31 March 2019	12,000	1,547	728	492	140	14,907
At 31 March 2020	-	-	576	415	85	1,076

£3,185,00 Loss on recognition of asset held for sale relates to Whitebrook Park, Maidenhead following a review of the net realisable value and value in use of the property, re-classed as asset held for sale as at year end.

## Notes to the financial statements

At 31 March 2020

### 14. Leases

The Company has lease contracts in relation to its offices and vehicles used in its operations. Leases of motor vehicles have lease terms between 2-3 years, while office building between 3-8 years.

Set out below are the carrying amounts of right-of-use assets recognised and movements during the year:

	<i>Buildings</i> <i>£000</i>	<i>Vehicles</i> <i>£000</i>	<i>Right of use</i> <i>assets Total</i> <i>£000</i>
Cost:			
At 31 March 2019			
IFRS 16 Transition	2,134	140	2,274
Additions	66	122	188
Disposals	-	-	-
At 31 March 2020	<u>2,200</u>	<u>262</u>	<u>2,462</u>
Depreciation and impairment:			
At 31 March 2019	-	-	-
IFRS 16 Transition	-	-	-
Depreciation charge for the year	409	92	501
Reclass	-	-	-
Disposal	-	-	-
At 31 March 2020	<u>409</u>	<u>92</u>	<u>501</u>
Net book value:			
At 31 March 2019	-	-	-
At 31 March 2020	<u>1,791</u>	<u>170</u>	<u>1,961</u>

## Notes to the financial statements

At 31 March 2020

### 14. Leases (Continued)

Set out below are the carrying amounts of lease liabilities:

	<i>Buildings</i>	<i>Vehicles</i>	<i>Lease Liability Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 31 March 2019			
IFRS 16 Transition	2,473	141	2,614
Additions	66	122	188
Interest	46	2	48
Payments	(485)	(96)	(581)
At 31 March 2020	<u>2,100</u>	<u>169</u>	<u>2,269</u>

Analysed as:

Current lease liability	569
Non-current lease liability	<u>1,700</u>
	<u>2,269</u>

The following are the amounts recognised in profit or loss:

	<i>Buildings</i>	<i>Vehicles</i>	<i>Total recognised in profit and loss</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 31 March 2019			
Depreciation expense of right of use asset	409	93	502
Interest expense on lease liability	46	2	48
Expenses relating to short-term lease	382	18	400
At 31 March 2020	<u>837</u>	<u>113</u>	<u>950</u>

The company as a lessor:

The Company owns a building and rents some of the office space in this building to other Group companies. Rental agreements are for the period of 1 year and are cancellable between 3-6 months. The income from rental is recognised on a straight-line basis over the term of the lease.

## Notes to the financial statements

At 31 March 2020

### 14. Leases (Continued)

Future minimum rentals receivable under non-cancellable operating leases:

	2020 £000	2019 £000
Within one year	405	629
In two to five years	-	1,618

All property rentals are under operating leases which are cancellable within one year only due to Whitebrook office is held for sale.

### 15. Intangible fixed assets

	Computer software £000
Cost:	
At 31 March 2019	636
Additions	34
Disposals	(33)
At 31 March 2020	<u>637</u>
Amortisation:	
At 31 March 2019	337
Amortisation charge for the year	91
Disposals	(11)
At 31 March 2020	<u>417</u>
Net book value:	
At 31 March 2019	<u>299</u>
At 31 March 2020	<u>220</u>

## Notes to the financial statements

At 31 March 2020

### 16. Investment in subsidiaries and associates

	<i>Interests in subsidiary undertakings</i>	<i>Other investments</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 1 April 2019	222,078	2,451	224,529
Additions	-	-	-
Disposals	-	-	-
At 31 March 2020	222,078	2,451	224,529
Provisions:			
At 1 Apr 2019	174,711	2,250	176,961
Additions	-	-	-
Disposals	-	-	-
At 31 March 2020	174,711	2,250	176,961
Net book value:			
At 1 April 2019	47,367	201	47,568
At 31 March 2020	47,367	201	47,568

Other investments comprise an investment in an associated company Hitachi Automotive Products Europe, which is fully provided for, an investment in The Randpark Club, in South Africa and a 5% holding in Hitachi Plant Saudi Arabia

At 31 March 2020, the company held the following interests either directly or indirectly through its subsidiaries:

	<i>Country of registration or incorporation</i>	<i>Class and percentage of shares held</i>	<i>Principal activities</i>
Hitachi Europe GmbH	Germany	100% ordinary	Marketing of consumer electronic products, air conditioning equipment and industrial equipment
Hitachi Europe SAS	France	100% ordinary	Marketing of consumer electronics products
Hitachi Europe SA	Greece	100% ordinary	Marketing of consumer electronics products
Hitachi Europe Srl	Italy	100% ordinary	Marketing of consumer electronic products and air conditioning equipment, energy & water management services
Hitachi Europe SA	Spain	100% ordinary	Marketing of consumer electronic products and air conditioning equipment

## Notes to the financial statements

At 31 March 2020

Hitachi Information Control Systems Europe Limited	England and Wales	100% ordinary	Consultancy services to the rail industry
Hitachi Automotive Systems UK Limited	England & Wales	25% ordinary	Manufacture of Automotive Products
Hitachi Drives & Automation GmbH*	Germany	51% ordinary	Marketing of industrial inverters
Hiflex Automatiseringstechniek BV*	Netherlands	30% ordinary	Supplier of industrial automation
Hitachi Plant Saudi Arabia	Saudi Arabia	5% ordinary	Technology Solutions

\* held indirectly

### 17. Inventory

	2020	2019
	£000	£000
Finished goods and goods for resale	22,130	22,523
Inventory in transit	2,178	5,037
Inventory provision	(858)	(1,674)
	<u>23,450</u>	<u>25,886</u>

The difference between purchase price or production cost of inventory and their replacement cost is not material.

### 18. Trade and other receivables

	2020	2019
	£000	£000
Trade receivables	31,947	32,233
Amounts owed by group undertakings	5,372	8,142
Non-trade receivables*	16,984	15,069
Other receivables	4,271	2,185
	<u>58,574</u>	<u>57,629</u>

\* Non-trade receivables are primarily made up of amounts owed by parent company for entrustment revenue and other companies within the Hitachi Group for shared service activities provided by Hitachi Europe Ltd.

## Notes to the financial statements

At 31 March 2020

### 19. Other financial assets and financial liabilities

*Other financial assets are analysed as follows:*

	2020	2019- Restated
	£000	£000
Loan notes, owed by group undertakings:		
due within one year	389,381	466,914
due within 1-2 years	43,500	43,500
Total other financial assets	<u>432,881</u>	<u>510,414</u>

Interest from loan notes owed by group undertakings is receivable at a rate of LIBOR +40 basis points.

	2020	2019- Restated
	£000	£000
Current interest-bearing loans owed to group undertakings:		
Wholly repayable within one year	330,362	421,045
Total other financial liabilities	<u>330,362</u>	<u>421,045</u>

Interest from loans owed to group undertakings is payable at a rate of LIBOR +40 basis points.

The carrying amounts of other financial assets and liabilities are a reasonable approximation of fair value.

The company's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the company. These risks include foreign currency risk, credit risk, and liquidity risk.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

The prior year balances for other current financial assets and other financial liabilities have been restated to accurately reflect the elimination of certain intercompany balances

#### *Foreign currency risk*

The company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<i>Liabilities</i>		<i>Assets</i>	
	2020	2019	2020	2019
	£000	£000	£000	£000
Euro	114,819	108,739	129,654	109,798
USD	11,418	18,405	12,228	23,570
JPY	5,317	2,875	6,302	564
Other	9,267	1,583	16,357	8,365

## Notes to the financial statements

At 31 March 2020

### 20. Financial risk management objectives and policies

#### Foreign currency sensitivity

The following table demonstrates the company's sensitivity to a 5 per cent increase and decrease in Sterling against Euro, USD and Japanese Yen, with all other variables held constant. The sensitivity analysis includes only outstanding Euro, USD and Japanese Yen denominated monetary items and adjusts their translation at the period end for the percentage change. A positive number below indicates an increase in profit and other equity where Sterling strengthens 5 per cent against these currencies. For a 5 per cent weakening of Sterling against these currencies, there would be a comparable impact on the profit and the balance below would be negative. The company's exposure to foreign currency changes for currencies other than Euro, USD and Japanese Yen is not material.

		<i>Effect on profit before tax</i>	<i>Effect on profit before tax</i>
<i>Change in rate</i>		<i>2020</i>	<i>2019</i>
		<i>£000</i>	<i>£000</i>
EUR	+5%	(706)	(50)
	-5%	781	55
USD	+5%	(39)	(245)
	-5%	38	272
JPY	+5%	(47)	110
	-5%	52	(121)

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The company uses independent rating agencies where available, to assess the creditworthiness of its counterparties. Where official ratings are not available, the company uses other publicly available financial information and its own trading records to rate its major customers. The credit ratings of its counterparty are continuously monitored and the credit exposure is controlled by counterparty limits that are reviewed annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The requirement for impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 19.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings as assigned by international credit-rating agencies.

#### Liquidity risk

The board of directors has established an appropriate liquidity risk management framework for the management of the company's short-, medium- and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and loan facilities by continuously monitoring forecast and actual cash flows. The company is also guaranteed through support from its parent company.



## Notes to the financial statements

At 31 March 2020

### 21. Non-current asset classified as held for sale (IFRS 5)

Following the classification of the Whitebrook Park property as held for sale, a write down of £3,185,000, was recognised on 31/03/2020 to reduce the carrying value of the asset to its fair value less costs to sell. This has been recognised in the statement of profit or loss. Further details in relation to this classification as held for sale can be found within Note 2.

	£000
Book value of the Land and Buildings	13,472
Loss on recognition of asset held for sale	(3,185)
At 31 March 2020	<u>10,287</u>

### 22. Authorised and issued share capital

<i>Authorised, Allotted, called up and fully paid</i>	<i>No.</i>	2020	2019
		<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	263,348,621	<u>263,349</u>	<u>263,349</u>

### 23 . Provisions for liabilities

	<i>Product guarantee</i> £000	<i>Other</i> £000	<i>Total</i> £000
At 1 April 2019	705	1,326	2,031
Utilised during the year	(711)		(711)
Unused	(458)		(458)
Additional amounts provided	540	229	769
At 31 March 2020	<u>76</u>	<u>1,555</u>	<u>1,631</u>
Current	76	226	302
Non-current		<u>1,329</u>	<u>1,329</u>

#### **Product guarantee provision**

This provision relates to expected claims under guarantees given on certain products sold by the company. The guarantee periods range between one and three years and related expenditure will be incurred within three years of the balance sheet date.

#### **Other provision**

Included in other provisions is a business reorganisation provision and provision for potential tax claim related to franked investment dividend received. The impact of discounting on non-current provision is negligible.

## Notes to the financial statements

At 31 March 2020

### 24. Pensions

#### *Defined contribution scheme*

The company operates a defined contribution pension scheme. Company contributions to the scheme in the year to 31 March 2020 were £nil (2019; £900,191). There were no unpaid amounts at 31 March 2020 (2019; £nil).

#### *Defined benefit plan*

The company participates in the Hitachi Pension Scheme (the Scheme), a funded defined benefit pension plan, which provides benefits based on final pensionable pay. Historically, contributions were charged to the profit and loss as to spread the cost of pensions over employees' working lives with the company. The Scheme closed to future accrual on 1 July 2011. The assets of the Scheme are held separately from the company in an independently administered trust fund. The contributions are determined based on the advice of independent qualified actuaries on the basis of triennial valuations.

The defined benefit obligation of the members of the Scheme allocated to the Company has a weighted average duration of around 20 years. In respect of members covered by the buy-in policy held by the Scheme the weighted average duration is around 14 years, where this lower duration reflects that these members' pensions are already in payment and that these members are older.

Following the recent Lloyds judgement which has ruled that Guaranteed Minimum Pensions must be equalised between males and females, a scheme-specific allowance has been made for the estimated cost of GMP equalisation and is disclosed as Past service cost. The estimated allowance for this GMP equalisation has been calculated at 31 March 2020 were £nil (2019; £345k).

#### *IAS 19R*

The results from the actuarial valuation of the Scheme as at 1 April 2019 were updated to 31 March 2020 by a qualified actuary, using a set of assumptions consistent with those required under IAS 19R.

Weighted average assumptions used to determine defined benefit obligation at the end of year:

	2020	2019
Discount rate	2.20%	2.40%
Rate of salary increase	n/a	n/a
Rate of retail price inflation	2.55%	3.45%
Rate of consumer price inflation	1.75%	2.45%
Rate of pension increases in payment (weighted average)	1.80%	2.45%
Post-retirement mortality assumption:		
Base table	104% of SAPS3	95% of SAPS2
Projections for future improvements	CMI 2019	CMI 2018
	Projections, long term	Projections, long term
	trend rate of 1.25% p.a., smoothing factor of 7, year of birth projections	trend rate of 1.25% p.a., smoothing factor of 7, year of birth projections

## Notes to the financial statements

At 31 March 2020

### 24. Pensions (continued)

#### Funded Status

The funded status at the end of the year, and the related amounts recognised on the balance sheet as follows:

##### *Funded status, end of year:*

	2020 £000	2019 £000
Fair value of plan assets	251,273	237,560
Benefit obligations	(161,834)	(182,152)
Funded status	89,439	55,408
Unrecognised surplus	(89,439)	(55,408)
Net amount recognised, end of year	-	-

##### *Amounts recognised in the balance sheet consist of:*

	2020 £000	2019 £000
Non-current asset	89,439	55,408
Unrecognised surplus	(89,439)	(55,408)
	-	-

##### *Change in defined benefits obligation:*

	2020 £000	2019 £000
Benefit obligations, beginning of year	182,152	184,205
Interest cost	4,281	4,498
Actuarial (gain) arising from changes in financial assumptions	(5,694)	(3,381)
Experience (gain)loss	(5,724)	-
Actuarial loss/(gain) arising from changes in demographic assumptions	(5,578)	5,128
Past Service cost/(gain)	-	345
Gross benefits paid	(7,603)	(8,643)
Benefit obligation, end of year	161,834	182,152

## Notes to the financial statements

At 31 March 2020

### 24.Pensions (continued)

#### *Change in Plan Assets*

	2020	2019
	£000	£000
Fair value of plan assets, beginning of year	237,560	229,275
Interest income	5,604	5,619
Employer contribution	-	-
Experience gain/(loss)	16,317	11,754
Administration expenses	(605)	(445)
Gross benefits paid	(7,603)	(8,643)
Fair value of plan assets, end of year	<u>251,273</u>	<u>237,560</u>

#### *Plan Asset Allocation, End of Year*

	2020	2019
	£000	£000
Indexed-linked Gilts	-	-
Liability Driven Investments	187,499	166,658
Insured Pensioners	62,856	70,074
Cash and Other	918	828
Total	<u>251,273</u>	<u>237,560</u>

#### *Risks*

The main risks to which the company is exposed in relation to the Scheme are:

- Mortality risk – the assumptions adopted by the company make allowance for the future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the Scheme and consequently increases in the Scheme's liabilities. The company and the Scheme's Trustees review the mortality assumption on a regular basis to minimise the risk of using an inappropriate assumption.
- Investment risk – the Scheme invests its assets in a portfolio of asset classes. There is a residual risk that as the selected portfolio matures, there is the possibility of not being able to reinvest the assets at the assumed rates. The Scheme's Trustees review the structure of the portfolio on a regular basis to minimise these risks.
- Inflation risk – Increases to benefits in the Scheme are linked to inflation, and so if inflation is greater than expected, the liabilities will increase.

The Scheme has recently undertaken a buy-in of a proportion of the pensioner liabilities. Therefore, the mortality, investment and inflation risks for the liabilities covered by the buy-in are now covered by an insurance policy, categorised as insured pensioners in schedule above.

## Notes to the financial statements

At 31 March 2020

### 24.Pensions (continued)

#### **Sensitivity Analysis**

Sensitivity analysis figures provided by the Actuary are based on various assumptions and current market conditions and as such are likely to change over time.

<i>Sensitivity</i>	<i>Increase in Liabilities £000</i>
Decrease discount rate by 0.5%	16,161
Increase inflation rate by 0.5%	9,447
Life expectancies increase by 1 year	6,488

#### **Components of benefit cost recognised in income statement**

	<i>2020 £000</i>	<i>2019 £000</i>
Net interest cost on net defined assets		-
Administration expenses	605	445
Past service cost recognised		345
Net benefit cost in income statement	<u>605</u>	<u>790</u>

#### **Amounts recognised in other comprehensive income**

	<i>2020 £000</i>	<i>2019 £000</i>
Actuarial (gain)/loss arising from changes in assumptions	(11,272)	1,747
Experience(gain)/losses on liabilities	(5,724)	-
Experience (gain)/loss on assets	(16,317)	(11,754)
Effect of asset ceiling	32,708	9,217
Gain recognised in other comprehensive income	<u>(605)</u>	<u>(790)</u>
Cumulative actuarial loss recognised in other comprehensive income	<u>58,640</u>	<u>59,245</u>

#### **Expected employer contributions**

The Company is currently committed to pay no contributions to the Scheme in the year to 31 March 2021

## Notes to the financial statements

At 31 March 2020

### 25. Trade and other payables

	2020	2019
	£000	£000
Trade payables – third party	18,991	20,949
Amounts owed to group undertakings	19,181	22,091
Accruals	15,189	18,448
Other taxes and social security costs	432	847
Other payables	7,400	5,795
	<u>61,193</u>	<u>68,130</u>

### 26. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £6,802,069 (2019; £13,270,760). These relate to committed purchase orders at the year-end date for goods and services to be provided in the next financial year.

The company has £1,000,000 commitment to buy shares of Sociedad Espanola De Protonterapia SL (SEP), as part of Proton Beam Therapy contract.

### 27. Guarantees and other financial commitments

The company has given bonds and guarantees to Customs authorities in Europe in the normal course of trading which amounted to at 31 March 2020 £5,461,764 (2019; £5,953,371). In addition, the company had import letters of credit in place with the Bank of Tokyo-Mitsubishi totalling £10,081,640 at 31 March 2020 (2019; £3,353,421), and with Citibank (2019; nil)

### 28. Ultimate parent company

The direct and ultimate parent undertaking of the group which includes the company and for which group financial statements are prepared is Hitachi, Ltd., a company registered in Japan. The group financial statements of this group are available to the public and may be obtained from:

Hitachi, Ltd.  
1-6-6, Marunouchi  
Nihonseimei Marunouchi Building  
Chiyoda-Ku  
Tokyo 100-8280  
Japan