

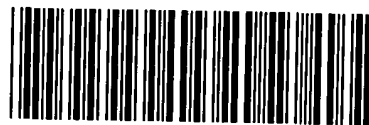
# **Hitachi Europe Limited**

## **Report and Financial Statements**

31 March 2022

Registered number: 02210686

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31/08/2022

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COMPANIES HOUSE

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Registered No. 02210686

**Directors**

N Nishida  
S K Pierce  
A J Dormer  
L Dellagiovanna  
H Yagi

**Secretary**

C W Newton

**Auditors**

Ernst & Young LLP  
R+  
2 Blagrove Street  
Reading  
RG1 1AZ

**Bankers**

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

**Registered Office**

Sefton Park  
Bells Hill  
Stoke Poges  
Buckinghamshire  
SL2 4HD

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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 2022.

### Results and dividends

The loss for the year after taxation amounted to £48,082 (2021; loss £3,573,054). The directors do not recommend the payment of a dividend (2021; £ 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 as at 31 March:

	2022	2021	Change
	£'000	£'000	%
Revenue	124,857	135,732	(8.0%)
Gross profit	66,857	60,204	11.1%
Operating (loss)	(562)	(4,396)	87.2 %

Revenue decreased by 8.0% from £135,732,000 in 2021 to £124,857,000 in 2022. The decrease in revenue is a result of the sale of the projector business to Maxell in the prior year, funding for the Intelligent Fleet De-carbonisation (IFD) business no longer being provided by Hitachi Ltd, and the reduction in availability of products due global logistic challenges. The decrease in revenue can be explained by a reduction in 3<sup>rd</sup> party product sales of £14,468,000 and entrustment revenue of £2,137,000, however there was an increase in shared service revenue of £5,730,000 in the year.

Gross profit increased by 11.1% from £60,204,000 in 2021 to £66,857,000 in 2022. The increase in Gross profit is a result of additional shared service revenue in the year with a higher margin and change in product mix.

The operating loss of £561,869 (2021 loss of £4,396,213) is a result of higher administration expenses following investment in the IFD business. Distribution and administration costs increased by £15,059,000 due to the investment and the company reduced the cost base in the year ended 31 March 2021 in response to the challenges arising from the COVID-19 pandemic. During the prior year the operating loss of £4,396,213 included an investment impairment of £19,732,000 of HICSE.

During the prior year the company made a capital return of 10,300,000 ordinary shares of £1.00 each with a total value of £10,300,000 to Hitachi Ltd.

During the year the business demolished the old HQ Whitebrook Park building to reduce operating expenses including business rates. The building had been fully impaired in March 2020. The company continues to negotiate the sale of the site with potential buyers, and the asset continues to be held for sale. The company relocated to Sefton Park in September 2021.

The GBS finance transition completed at the end of October 2021.

During the year the company incurred restructuring costs relating to the HR and facilities support functions (please see note 5).

## Strategic report (continued)

### 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 are 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. Wherever possible, the company will seek to minimise these risks through risk mitigation strategies.

### COVID-19 update

COVID-19 has affected the global economy, including the economies and industries in which we operate. During the prior year this impacted both revenue and profit. The company swiftly implemented revised ways of working in order to reduce costs, particularly administration expenses, to limit the impact the pandemic had on the business results.

The company did not utilise any government support or furlough schemes during current or prior year. The company was able to maintain staff levels without utilising furlough. In the prior year the company did temporarily defer VAT payments; however, these have been paid in full.

The company has continued to invest in digitalisation, remote working and flexible office locations which puts the business in good stead for any future impacts of COVID-19.

The continued future impacts of COVID-19, on our business, are currently unknown and will be dictated by both the health situation across our markets and government policies. 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 throughout and the inherent uncertainties of the COVID-19 pandemic.

**Impact of Brexit:** The UK left the EU on 31 January 2020. The transition period that was in place ended on 31 December 2020. The UK agreed a 'deal' with the EU which took effect on 1 January 2021. Following the agreement with the EU, Hitachi continues to mitigate any risks as a result of leaving the EU. Examples being finding alternative distribution routes or operational processes in order to ensure no impact on business performance.

### Impact of Russia/Ukraine Crisis

The Russia/Ukraine crisis has affected citizens in Europe and the global economy, including the economies and industries in which we operate, and impacted our personnel based in the regions. Annual sales to Russia/Ukraine are £428,234 with the receivables balance at year end being £117,977. The company utilises credit insurance, whereby 95% of the year-end balance was insured against potential loss. The exposure at year end was therefore minimal, and since the year end the total amount has been repaid by customers. There is no current receivable balance with Russia/Ukraine customers. The global supply shortages have impacted our ability to obtain certain products for sale. We are monitoring the situation and will take precautionary and pre-emptive actions that we determine are in the best interests of our business.

## Strategic report (continued)

### Principal risks and uncertainties (continued)

**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 and through the use of credit insurance. 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 18 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 participates in Hitachi, Ltd.'s centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. 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. (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.

### 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 members 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 considers its key stakeholder groups to be:

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

## **Strategic report (continued)**

### **Section 172 Statement (continued)**

#### **Employees**

The ongoing impact of the global COVID-19 pandemic continued to impact on our employees. Our 385 employees are key to our business and, in every country, employees started working from home in March 2020. Based on Government guidance, our offices initially re-opened operating at a reduced capacity to ensure employee health, with a complete opening in March 2022. We are very proud of all that was achieved under very difficult circumstances and, following employee feedback, we have continued to offer a hybrid approach to working. Our employee intranet, launched in 2020, continues to provide employees with access to key information, wellbeing resources and announcements, and we continue to ensure key messages are communicated directly to employees by email. This year, these messages have included our approach to diversity and inclusion and the move to a new office location.

We recognise that part of being a successful business involves effective engagement with our employees, understanding and listening to the issues that affect them. Significantly, in 2021 we took the decision to close our headquarter site at Whitebrook Park, Maidenhead and move to more modern office facilities co-locating with another Hitachi Group Company, Hitachi Vantara, in Stoke Poges from September 2021.

Annually, we undertake an employee survey. During the year ended 31<sup>st</sup> March 2022, 75% of staff took part, slightly increasing the level of engagement compared to the year ended 31<sup>st</sup> March 2021. 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. One-off surveys on specific topics are held as needed throughout the year and included this year a post-covid return to work survey. The Employee Survey results are reviewed by the directors, and areas of particular importance to employees are reviewed at Executive Committee and Board meetings.

Town Hall meetings are now held virtually 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 new ways of working post the global pandemic, as well as the new office location. Feedback from the Town Hall meetings is discussed by the Executive Committee and reflected in reports to the Board.

#### **Customers and Suppliers**

Customers and suppliers are at the heart of our business. As COVID-19 measures reduced and we saw a return to normal operations, the opportunity to hold face to face meetings with customers and suppliers has gradually increased. During COP26, we supported the hosting of an online Global Supplier event focused on how we will engage our direct supply chain in supporting us achieve our decarbonisation targets. Around 1,500 participants joined the event.

#### **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. We launched Hitachi ZeroCarbon, offering a fleet decarbonisation proposition by optimising the entire surrounding ecosystem to offer a turnkey as-a-service solution to transportation companies, municipalities, and governments worldwide. Hitachi ZeroCarbon worked closely with First Bus and Octopus Energy, hosting an event during the entire length of COP26 in the Caledonian Road Bus Depot about the electrification of bus transport in Glasgow and beyond. This work will continue as First Bus seeks to remove carbon from its fleets all over the UK and beyond.

Our European Research and Development (ERD) team have continued to develop partnerships and relationships with key research partners and academic institutions such as Imperial College, London.

## Strategic report (continued)

### Section 172 Statement (continued)

On 5 November, the Hitachi European Innovation Forum was held by ERD as a hybrid in-person and online event in Glasgow alongside COP26. As well as representatives from our ERD team, we also invited partners from organisations such as Arup, Technology Scotland and Imperial College to present, with over 90 external and 450 Hitachi attendees participating in the event.

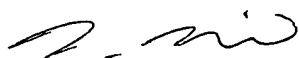
#### Community/Society/Environment

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. In March 2021 we announced Hitachi as a Principal Partner of COP26, which took place in Glasgow in November 2021. Hitachi's COP26 engagement activity was led by our Corporate Communication and Sustainability Office and was an important opportunity to drive engagement on the need for climate action with governments, cities and companies. As well as the activities mentioned in the sections above and below, our main activities as a Principal Partner included panel sessions in the UK and Swedish Country Pavilions in the 'Blue Zone', co-hosting a stakeholder event with the UK Government as well as exhibiting for the full 2 weeks an interactive stand in the publicly accessible 'Green Zone'.

We continue to 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. We moved this event on to a digital platform as a result of COVID-19, and 2021's stakeholder dialogue focused on Hitachi's 2030 sustainability strategy. The event outcomes are shaping Hitachi's approach regarding the strategies, KPIs and performance on three potential material topics of Hitachi: Circular Economy, Human Rights, and Decent Work.

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 are continuing to review how we engage with our supply chain on key global issues.

Approved by the board and signed on its behalf



N Nishida  
Managing Director  
Date: 26 August 2022

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Registered No. 02210686

## Directors' report

The directors present their report and financial statements for the year ended 31 March 2022.

### 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 K Pierce	British	Appointed 1 <sup>st</sup> October 2017
N Nishida	Japanese	Appointed 1 <sup>st</sup> April 2018
L Dellagiovanna	Italian	Appointed 1 <sup>st</sup> April 2020
H Yagi	Japanese	Appointed 1 <sup>st</sup> April 2020
A J Dormer	British	Appointed 1 <sup>st</sup> April 2021

### Directors' qualifying third party indemnity provision

The company has granted an indemnity all 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, which form part of the Hitachi Europe Ltd statutory entity, with an investment held in the Turkey branch. The company also holds overseas investments see note 16.



## **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., recognised as the home for significant European businesses as well as the main provider of shared services operations for Hitachi Companies in Europe. The Company participates in the Group's centralised treasury arrangements, and is head of the European Treasury Centre, thus sharing banking arrangements with its parent and fellow subsidiaries. Hitachi, Ltd. has continually demonstrated 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 cash reserves of the business as at 31 March 2022 were £115.9m, including £107.9m within a cash pooling arrangement managed via Citi Bank. The cash reserves of the business as at 30 June 2022 were £106.3m, including £97.6m within a cash pooling arrangement managed via Citi Bank. These pooled funds belong to Hitachi Europe Limited and have been treated as cash for the purposes of the going concern assessment. The directors have performed a going concern assessment for a period of 19 months and 5 days up to 31 March 2024. As part of this assessment the directors have considered the forecast cashflows of the company, inclusive of funding requirements for the IFD business, along with a reasonable worst case scenario, considering the impact of COVID-19 and geopolitical tension in Russia and Ukraine, on the operations and performance of the company. Taking these forecasts into account, the directors have concluded the Company is able to operate, with no reasonable scenario that would result in a break point, based on reverse stress test analysis, considering cash pool funds as cash equivalents.

As highlighted above, the company is dependent on its ability to draw funds from the cash pool which includes its parent, Hitachi Ltd. The parent has confirmed in writing that it will support the company as needed so that the company can continue operating and enable it to meet its liabilities as they fall due until 31 March 2024. The directors have then performed enquiries with the parent and examined the funding available to the company via the parent. Based on this test, the parent is expected to generate sufficient cash flows to allow it to provide financial support to the company, if required, to meet its contractual commitments.

The directors, have no reason to believe that a material uncertainty exists that may cast significant doubt on the ability of Hitachi Europe Ltd to continue as a going concern or its ability to continue with the current banking arrangements until 31 March 2024.

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 research laboratories in a number of locations on behalf of Hitachi, Ltd 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)**

### **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. We launched a new employee intranet in June 2020 which helped employees access key information and announcements.

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

### **Streamlined Energy and Carbon Reporting (SECR).**

This is the third 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 Stoke Poges, having moved from our Maidenhead site during the reporting year, with additional presences in London and Cambridge. Though out of scope for this report and therefore not included in the reported data Hitachi Europe also has 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 2021 to 31 March 2022 and include the previous year's reporting figures.

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)

### Streamlined Energy and Carbon Reporting (SECR) (continued)

Hitachi Europe Limited Energy Consumption and associated greenhouse gas emissions.	2020/21	2021/22
Consumption		
Total Energy consumption (electricity) (kWh)	940,677	263,324
Total Energy consumption (gas) (kWh)	401,448	292,394
Total vehicle fuel consumption (kWh)*1	10,251	2,062
Emissions		
Emissions from combustion of fuel– gas (Scope 1) (tCO2e)	73,814	53,555
Emissions from business travel – company owned (Scope 1) (tCO2e)	0.0	0.0
Emission from electricity purchased for own use – company owned (Scope 2) (tCO2e)	173,319	23,727
Emission from electricity - use in a leased building (Scope 3) (tCO2e)*2	45,990	32,184
Emissions from business travel – rental or employee owned (Scope 3) (tCO2e)	2,484	5,242
Total Annual Gross Emissions	295,607	114,708
Emissions reduction from the purchase of renewable energy (market-based carbon accounting benefit)	173,319	23,727
Total Annual Net Emissions	122,289	90,981
Annual GHG intensity measure (tCO2/unit)	2020/21	2021/22
GHG emissions tCO2e/sqm	0.03	0.01

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

### **Streamlined Energy and Carbon Reporting (SECR) (continued)**

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

\*2 – data does not include our Stoke Poges leased site, this data is included in Hitachi Vantara's submission due to billing arrangements and 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.

### **Energy Efficiency action taken in financial year 2021/22**

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 <https://sustainability.hitachi.com/>

100% of electricity supplied to our Maidenhead site while it was operational 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.

The impact of the closure of our Maidenhead site and moving to a newer and smaller head office location comprising shared office space in Stoke Poges, resulted in significant reduction in our energy consumption. The data for our new office location in Stoke Poges is reported by Hitachi Vantara. For much of the year, reduction in travel, following a change in travel habits and Covid- 19 restrictions has also resulted in maintaining low emissions related to business travel.

We will continue to identify areas to improve energy efficiency in financial year 2022 across our office locations and are looking at ways to support employees move to renewable energy sources in their own homes.

### **Working in partnership**

At Hitachi Europe it is not just about what we can do ourselves, it is about how we work across our whole value chain from suppliers to our customers and clients. Our business is focused on social innovation. This underpins everything we do, enabling 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. This year we launched Hitachi Zero-Carbon:

### **Hitachi Zero Carbon**

Hitachi is committed to becoming a climate change innovator, and Hitachi ZeroCarbon offers an unmatched range of next-generation technologies and expertise to help decarbonize fleets, discover untapped revenue streams, and maximize opportunities for long-term growth in the new, net zero world. From vehicles and infrastructure to operations, resource planning and financing, Hitachi ZeroCarbon's unique combination of information technology, operational expertise and physical products help to lower risk, unlock efficiencies, and navigate the complexity of zero carbon economics. Hitachi ZeroCarbon's mission is to deliver the industry's most innovative end-to-end decarbonization solutions and power the global transition to a zero-carbon world. We are excited to pioneer the future with you.

<https://zerocarbon.hitachi.com/>

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Registered No. 02210686

## **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:

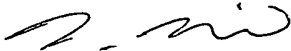
1. so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
2. the Director has taken all the steps that he or she ought to have taken as a Director in order to make him or herself aware of any relevant audit information and to establish that 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: 26 August 2022

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 2022 which comprise the Statement of Profit and Loss, the Statement of financial position, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 28, 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 2022 and of its loss 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. 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**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 March 2024.

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

### **Other information**

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



## **Independent auditors' report**

to the members of Hitachi Europe Limited

### **Other information (continued)**

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

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

We have nothing to report in this regard.

### **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 14, 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.

## **Independent auditors' report**

to the members of Hitachi Europe Limited

### **Responsibilities of directors (continued)**

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.

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

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

Our procedures were as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those related to the reporting framework (United Kingdom Generally Accepted Accounting Practice – FRS101), Companies Act 2006 and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to UK Anti-bribery act, Proceeds of Crime Act 2002 and The Money Laundering (Amendment) Regulations 2012, Guidelines issued by the Pension Regulator (TPR) Employment Law, Health and Safety, GDPR and Modern Slavery.
- We understood how the Company is complying with those frameworks by making inquiries of management, those charged with governance and those responsible for legal and compliance to understand how the Company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through review of supporting documentation, board minutes, and where applicable, reviewing correspondence with relevant regulatory bodies and authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. This included discussions with management

## Independent auditors' report

to the members of Hitachi Europe Limited

and those charged with governance to understand where they considered there was susceptibility to fraud, obtaining an understanding of management's internal fraud risk assessment for the year as it pertains to internal control over financial reporting and considered performance targets and their influence on efforts made by management. We deemed there to be a fraud risk regarding revenue recognition, which could be perpetrated through incorrect application of IFRS 15 on product and services sales, or product sales being recognised when control (as defined by the INCO terms) had not passed to the customer. Our procedures involved:

- We incorporated data analytics into our testing by identifying specific transactions which did not meet our expectations based on specific criteria, we further investigated these journal entries to gain an understanding and agreed them to source documentation.
  - For revenue recognition appropriateness, we performed a contract review in line with IFRS 15 guidance to validate that the revenue recognised by the company was in line with the terms of the agreements and that performance obligations had been appropriately satisfied for each revenue stream.
  - For product revenue, we selected a sample of revenue transactions recognised around the year end date and performed detailed testing, including agreeing to source documentation to validate that the revenue had been recognised in the appropriate period.
  - We performed analytical procedures to identify unusual transactions in the period around the year end date for all revenue streams.
- 
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management, internal legal counsel and those charged with governance. We also reviewed the board minutes to identify any non-compliance with laws and regulations.

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

### Use of our report

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

*Ernst & Young LLP*

Ryan Squires (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Reading  
26 August 2022

for the year ended 31 March 2022

Registered No. 02210686

## Statement of profit and loss

for the year ended 31 March 2022

	Notes	2022 £000	2021 £000
<b>Revenue</b>			
Sale of goods		55,379	70,008
Rendering of services		69,430	65,496
Rental income	14	48	228
	3	124,857	135,732
Cost of sales		(58,000)	(75,528)
<b>Gross profit</b>		66,857	60,204
Distribution costs		(5,491)	(8,314)
Administration expenses		(66,063)	(48,182)
Pension expense	24	(170)	(586)
Other operating expenses	5	(395)	(20,948)
Other operating income	6	4,701	13,430
<b>Operating (loss)</b>		(561)	(4,396)
Finance and other similar income	8	1,192	1,342
Finance and other similar costs	9	(670)	(352)
<b>(Loss) before taxation</b>		(39)	(3,406)
Tax	12	(9)	(167)
<b>(Loss) for the financial year</b>		(48)	(3,573)

Registered No. 02210686

## Statement of comprehensive income

for the year ended 31 March 2022

	Notes	2022 £000	2021 £000
(Loss) for the financial year		(48)	(3,573)
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>			
Actuarial gain in respect of defined benefit pension scheme	24	170	586
Total comprehensive income/(loss) for the year, net of tax		122	(2,987)

## Statement of changes in equity

for the year ended 31 March 2022

	Issued capital £000	Retained losses £000	Total Equity £000
As at 1 April 2020	263,349	(75,157)	188,192
Loss for the year	-	(3,573)	(3,573)
Other comprehensive Income	-	586	586
Capital Return	(10,300)	-	(10,300)
Total comprehensive Loss	-	(2,987)	(2,987)
At 31 March 2021	253,049	(78,144)	174,905
Loss for the year	-	(48)	(48)
Other comprehensive Income	-	170	170
Total comprehensive Income	-	122	122
Capital Return	-	-	-
At 31 March 2022	253,049	(78,022)	175,027

Registered No. 02210686

**Statement of financial position**

as at 31 March 2022

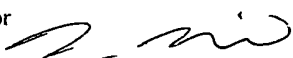
	Notes	2022 £000	2021 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment	13	686	796
Right-of use assets	14	1,288	1,467
Intangible assets	15	64	44
Investments	16	27,836	27,836
Other non-current financial assets	19	-	-
		<u>29,874</u>	<u>30,143</u>
<b>Current assets</b>			
Inventories	17	27,228	32,722
Trade and other receivables	18	56,922	67,495
Prepayments and accrued income		786	961
Other current financial assets	19	420,573	384,477
Cash and cash equivalents		<u>6,954</u>	<u>6,873</u>
		<u>512,463</u>	<u>492,528</u>
Non-current asset classified as held for sale	21	10,283	10,287
<b>Total assets</b>		<u>552,620</u>	<u>532,958</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	22	253,049	253,049
Retained losses		<u>(78,022)</u>	<u>(78,144)</u>
<b>Total equity</b>		175,027	174,905
<b>Non-current liabilities</b>			
Lease liability	14	835	1,243
Provisions	23	1,329	1,329
Employee benefit liabilities	24	-	-
		<u>2,164</u>	<u>2,572</u>
<b>Current liabilities</b>			
Trade and other payables	25	59,106	64,529
Lease liability	14	562	490
Other current financial liabilities	19	315,488	288,418
Corporation tax		(133)	776
Provisions	23	<u>406</u>	<u>1,268</u>
		<u>375,429</u>	<u>355,481</u>
<b>Total liabilities</b>		<u>377,593</u>	<u>358,053</u>
<b>Total equity and liabilities</b>		<u>552,620</u>	<u>532,958</u>

Approved by the Board and signed on its behalf

N Nishida

Managing Director

26 August 2022



Registered No. 02210686

## Notes to the financial statements

at 31 March 2022

### 1. Accounting policies

#### *Corporate information*

The financial statements of Hitachi Europe Limited for the year ended 31 March 2022 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 Sefton Park, Bells Hill, Stoke Poges, Buckinghamshire 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.

Reference to FY21 is in relation to the year ended 31 March 2022, reference to FY20 is in relation to the year ended 31 March 2021.

#### *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., recognised as the home for significant European businesses as well as the main provider of shared services operations for Hitachi Companies in Europe. The Company participates in the Group's centralised treasury arrangements, and is head of the European Treasury Centre, thus sharing banking arrangements with its parent and fellow subsidiaries. Hitachi, Ltd. has continually demonstrated 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 cash reserves of the business as at 31 March 2022 were £115.9m, including £107.9m within a cash pooling arrangement managed via Citi Bank. The cash reserves of the business as at 30 June 2022 were £106.3m, including £97.6m within a cash pooling arrangement managed via Citi Bank. These pooled funds belong to Hitachi Europe Limited and have been treated as cash for the purposes of the going concern assessment. The directors have performed a going concern assessment for a period of 19 months and 5 days up to 31 March 2024. As part of this assessment the directors have considered the forecast cashflows of the company, inclusive of funding requirements for the IFD business, along with a reasonable worst case scenario, considering the impact of COVID-19 and geopolitical tension in Russia and Ukraine, on the operations and performance of the company. Taking these forecasts into account, the directors have concluded the Company is able to operate, with no reasonable scenario that would result in a break point, based on reverse stress test analysis, considering cash pool funds as cash equivalents.

As highlighted above, the company is dependent on its ability to draw funds from the cash pool which includes its parent, Hitachi Ltd. The parent has confirmed in writing that it will support the company as needed so that the company can continue operating and enable it to meet its liabilities as they fall due until 31 March 2024. The directors have then performed enquiries with the parent and examined the funding available to the company via the parent. Based on this test, the parent is expected to generate sufficient cash flows to allow it to provide financial support to the company, if required, to meet its contractual commitments.

The directors, have no reason to believe that a material uncertainty exists that may cast significant doubt on the ability of Hitachi Europe Ltd to continue as a going concern or its ability to continue with the current banking arrangements until 31 March 2024.

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 (continued)

At 31 March 2022

### 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 (continued)

At 31 March 2022

### 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 the applicable performance obligation delivered as part of the 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 it 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 have been transferred to customer.

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

## Notes to the financial statements (continued)

At 31 March 2022

### 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*

This relates to general management to support key personnel performing management functions. This is mainly related to Japanese expats on secondment from Hitachi, Ltd or local senior management who have a specific corporate or HQ function as regional HQ of Europe.

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

Forming part of the 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 relates to general management and admin support for back-office functions; F&A, HRG, IT, Facilities, legal and procurement. The revenue is based on the provision of resources, services from support functions, or volume-based transactions such as payroll or expense claims.

##### *Delivery of service or Projects*

Specific projects 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 (continued)

At 31 March 2022

### 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 headcount 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 contracts which are based on actual spending, therefore billed in arrears. This highlights 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 is 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 (continued)

At 31 March 2022

### 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. Investments that have been previously impaired are reviewed to determine if there are any reversal indicators resulting in a reversal of previously booked impairment.

#### **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 (continued)

At 31 March 2022

### 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 (continued)

At 31 March 2022

### 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 (continued)

At 31 March 2022

### 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 (continued)

At 31 March 2022

### 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 (continued)

At 31 March 2022

### 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 replaced 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 (continued)

At 31 March 2022

### 1. Accounting policies (continued)

#### *Changes in accounting policies*

There have been no changes in accounting policies in the current year.

#### **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 (continued)

At 31 March 2022

### 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 and land was classified as held for sale as of 31st March 2020. The Board considered the property to meet the criteria to be classified as held for sale.

#### *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

## Notes to the financial statements (continued)

At 31 March 2022

### 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:

	2022 £000	2021 £000
<b>Revenue by Business Segments</b>		
3 <sup>rd</sup> Party Product Sales	62,945	77,413
Entrustment Revenue	41,355	43,492
Shared Service	20,557	14,827
	<u>124,857</u>	<u>135,732</u>

#### Sales by business segment by geographical location 31 March 2022

	3 <sup>rd</sup> Party Product Sales 2022	Entrustment 2022	Shared Service 2022	Total 2022
UK	4,929		20,557	25,486
Other Western Europe	26,064			26,064
Eastern Europe	7,699			7,699
The Near and Middle East	608			608
Africa	787			787
Japan	-	36,953		36,953
Russia	-			-
Rest of the world	22,858	4,402		27,260
	<u>62,945</u>	<u>41,355</u>	<u>20,557</u>	<u>124,857</u>

## Notes to the financial statements (continued)

At 31 March 2022

### 3. Turnover (continued)

*Sales by business segment by geographical regions 31 March 2021*

	<i>3<sup>rd</sup> Party Product Sales</i>	<i>Entrustment</i>	<i>Shared Service</i>	<i>Total</i>
	<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2021</i>
UK	4,275	-	14,827	19,102
Other Western Europe	49,785	-	-	49,785
Eastern Europe	128	-	-	128
The Near and Middle East	1,383	-	-	1,383
Africa	493	-	-	493
Japan	861	35,021	-	35,882
Russia	214	-	-	214
Rest of the world	20,274	8,471	-	28,745
	<u>77,413</u>	<u>43,492</u>	<u>14,827</u>	<u>135,732</u>

*2022*  
*£000*

*2021*  
*£000*

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

Revenue recognised at the point of time	55,486	70,169
Revenue recognised over time	69,371	65,563
	<u>124,857</u>	<u>135,732</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.

### 4. Operating (Loss)

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

	<i>2022</i>	<i>2021</i>
	<i>£000</i>	<i>£000</i>
Included in distribution and administrative expenses:		
Auditors' remuneration – audit of the financial statements	338	267
Depreciation – tangible assets	273	283
Amortisation – intangible assets	52	104
Rentals payable under operating leases	483	114
Research and development expenditure	743	510
Net foreign currency loss/(gain)	62	(379)

## Notes to the financial statements (continued)

At 31 March 2022

### 5. Other operating expenses

	2022	2021
	£000	£000
Restructuring costs	335	1,079
Write down of investment (note 16)	-	19,732
Other	60	137
	<u>395</u>	<u>20,948</u>

During the year the company incurred restructuring costs relating to HR and facilities support functions.

### 6. Other operating income

	2022	2021
	£000	£000
R&D tax credit	455	524
Government grants (note 7)	3,874	2,593
Dividend received	-	-
Hitachi Automotive Systems UK Ltd share sale (note 16)	-	10,300
Other	372	13
	<u>4,701</u>	<u>13,430</u>

### 7. Government grants

	2022	2021
	£000	£000
At 1 April	993	(329)
Cash received	3,903	4,234
Cash paid out to grant partners	(218)	(319)
Amounts in respect of prior period	216	-
Amount released to the statement of profit or loss	<u>(3,874)</u>	<u>(2,593)</u>
	<u>1,020</u>	<u>993</u>

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

### 8. Finance and other similar income

	2022	2021
	£000	£000
Interest income	4	5
Interest income from group companies	<u>1,188</u>	<u>1,337</u>
	<u>1,192</u>	<u>1,342</u>

## Notes to the financial statements (continued)

At 31 March 2022

### 9. Finance and other similar costs

	2022	2021
	£000	£000
Interest on debts and borrowings	263	72
Interest on lease liability (Note 14)	27	38
Interest payable to group companies	380	242
	<u>670</u>	<u>352</u>

### 10. Directors' emoluments

	2022	2021
	£000	£000
Directors' emoluments	<u>797</u>	<u>816</u>

Two directors received emoluments from the Company. The bonus elements included within the emoluments were £232,456 (2021; £277,089). No directors accrued benefits from any defined benefit pension scheme in Japan or from the Hitachi UK Pension Scheme (2021; nil).

The emoluments of the highest paid director were £498,657 (2021; £538,364). There were no pension contributions paid relating to the highest paid director.

The services of three 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

	2022	2021
	£000	£000
Wages and salaries	27,589	25,487
Social security costs	2,673	2,499
Other pension costs	1,092	1,122
	<u>31,354</u>	<u>29,108</u>

Pension costs of £1,092,000 (2021; £1,122,097) 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:

	2022	2021
	No.	No.
Sales	97	98
Administration	185	161
	<u>282</u>	<u>259</u>

## Notes to the financial statements (continued)

At 31 March 2022

### 12. Tax

(a) Tax on loss on ordinary activities

The Tax charge is made up as follows:

	2022 £000	2021 £000
UK Corporation tax at 19% (2021: 19%)	9	238
Adjustment in respect of previous year	-	(266)
	<u>9</u>	<u>(28)</u>
Foreign tax	-	-
Adjustment in respect of prior periods	-	195
	<u>9</u>	<u>195</u>
Total tax (note 12 (b))	<u>9</u>	<u>167</u>

(b) Factors affecting the total tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2021; lower) based on the standard rate of corporation tax in the UK of 19% (2021; 19%). The differences are reconciled below:

	2022 £000	2021 £000
Profit on ordinary activities before tax	<u>(39)</u>	<u>(3,406)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021; 19%)	<u>(7)</u>	<u>(647)</u>
Effects of:		
Expenses not deductible for tax purposes	126	3,724
Non-taxable income	-	(1,957)
Fixed asset timing difference	3	45
Movement in unrecognised tax losses	(117)	(957)
Tax loss utilised in the year	-	-
Other timing differences	5	30
Adjustments in respect of previous periods	-	(71)
Difference in UK tax rates	-	-
Total tax (note 12(a))	<u>9</u>	<u>167</u>



## Notes to the financial statements (continued)

At 31 March 2022

### 12. Tax (continued)

#### (c) Deferred tax

##### Analysis of deferred tax

	<i>Unrecognized</i>	
	2022	2021
	£000	£000
Depreciation and capital allowances	(5,283)	(550)
Tax losses available	14,478	14,388
Other timing differences	(5)	(5)
Deferred tax asset	<u>9,190</u>	<u>13,833</u>

A deferred tax asset of £9,190,000 (2021; £13,833,000) 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.

#### (d) Factors that may affect future tax charges

##### *Change in Corporation Tax rate*

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017.

The UK government have since announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The relevant Finance Bill is now substantively enacted in the UK Parliamentary process at the balance sheet date, its effects are included in these financial statements.

## Notes to the financial statements (continued)

At 31 March 2022

### 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 2021	1,712	-	1,329	4,784	233	8,058
Additions	-	-	93	80	-	173
Disposals	-	-	(425)	(1,115)	(75)	(1,615)
At 31 March 2022	<u>1,712</u>	<u>-</u>	<u>997</u>	<u>3,749</u>	<u>158</u>	<u>6,616</u>
Depreciation and impairment:						
At 31 March 2021	1,712	-	856	4,483	211	7,262
Depreciation charge for the year	-	-	113	139	21	273
Disposal	-	-	(424)	(1,106)	(75)	(1,605)
Loss on recognition of asset held for sale	-	-	-	-	-	-
At 31 March 2022	<u>1,712</u>	<u>-</u>	<u>545</u>	<u>3,516</u>	<u>157</u>	<u>5,930</u>
Net book value:						
At 31 March 2021	<u>-</u>	<u>-</u>	<u>473</u>	<u>301</u>	<u>22</u>	<u>796</u>
At 31 March 2022	<u>-</u>	<u>-</u>	<u>452</u>	<u>233</u>	<u>1</u>	<u>686</u>

## Notes to the financial statements (continued)

At 31 March 2022

### 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 assets Total</i> <i>£000</i>
Cost:			
At 31 March 2021	2,362	212	2,574
Additions	270	123	393
Disposals	(228)	(99)	(327)
At 31 March 2022	<u>2,404</u>	<u>236</u>	<u>2,640</u>
Depreciation and impairment:			
At 31 March 2021	971	136	1,107
Depreciation charge for the year	472	79	551
Reclass	-	-	-
Disposal	(213)	(93)	(306)
At 31 March 2022	<u>1,230</u>	<u>122</u>	<u>1,352</u>
Net book value:			
At 31 March 2021	<u>1,391</u>	<u>76</u>	<u>1,467</u>
At 31 March 2022	<u>1,174</u>	<u>114</u>	<u>1,288</u>

## Notes to the financial statements (continued)

At 31 March 2022

### 14. Leases (continued)

Set out below are the carrying amounts of lease liabilities:

	<i>Buildings</i> £000	<i>Vehicles</i> £000	<i>Lease Liability Total</i> £000
Cost:			
At 31 March 2021	1,655	78	1,733
Additions	299	114	413
Disposals	-	(2)	(2)
Interest	27	1	28
Payments	(691)	(80)	(771)
FX differences	(3)	(1)	(4)
At 31 March 2022	<u>1,287</u>	<u>110</u>	<u>1,397</u>

Analysed as:

Current lease liability	562
Non-current lease liability	835
	<u>1,397</u>

The following are the amounts recognised in profit or loss:

	<i>Buildings</i> £000	<i>Vehicles</i> £000	<i>Total recognised in profit and loss</i> £000
Depreciation expense of right of use asset	473	79	551
Interest expense on lease liability	27	1	28
Expenses relating to short-term lease	451	32	483
At 31 March 2022	<u>951</u>	<u>112</u>	<u>1,062</u>

The company as a lessor:

During the course of the year the Company rented some office space to a third party. Rental income in the year amounted to £48,000 (2021; £228,000).

## Notes to the financial statements (continued)

At 31 March 2022

### 14. Leases (continued)

Future minimum rentals receivable under non-cancellable operating leases:

	2022 £000	2021 £000
Within one year	34	-
In two to five years	-	-

All property rentals are operating leases which are cancellable within one year, due to Whitebrook Park office being held for sale.

### 15. Intangible fixed assets

	Computer software £000
Cost:	
At 31 March 2021	472
Additions	73
Foreign exchange	(-)
Disposals	(15)
At 31 March 2022	530
Amortisation:	
At 31 March 2021	428
Amortisation charge for the year	52
Foreign exchange	-
Disposals	(14)
At 31 March 2022	466
Net book value:	
At 31 March 2021	44
At 31 March 2022	64

## Notes to the financial statements (continued)

At 31 March 2022

### 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 2021	222,078	201	222,279
Additions	-	-	-
Disposals	-	-	-
At 31 March 2022	222,078	201	222,279
Provisions:			
At 1 Apr 2021	194,443	-	194,443
Charge for the year	-	-	-
Disposal	-	-	-
At 31 March 2022	194,443	-	194,443
Net book value:			
At 1 April 2021	27,635	201	27,836
At 31 March 2022	27,635	201	27,836

In the year ended 31 March 2022 an impairment assessment was carried out on the investments held by the company at the balance sheet date. This assessment considered impairment indicators as per IAS 36. The company calculated the recoverable amount for the Hitachi Europe Srl investment, as determined from a value in use calculation. In performing this assessment, the company determined the three key assumptions and source of the model:

- Post-tax discount rate of 7.5% (2021: 9%). Received from Hitachi Ltd (parent).
- Long-term growth rate of 3% (2021: 3%). Derived with reference to market and company-specific data.
- Terminal cash flow. Based upon Board-approved forecasts.

The Directors considered the sensitivity of these assumptions, determining the change required to generate an impairment charge, holding all other factors constant:

- Post-tax discount rate of 8.2%.
- Long-term growth rate of 1.1%.
- Decreases in the terminal cash flow of 31%

These sensitivities have been disclosed on the basis of being reasonably possible. However, the Director's determined the assumptions used in the assessment were appropriate.

In the prior year, the company booked an impairment charge of £19,732,000 on the company's investment in Hitachi Information Control Systems Europe Limited (to a written down value of £5,431,000). The impairment assessment used a valuation utilising discounted cash flows under the income method of valuation based on a revised forecast. The forecast reflected the current market trends, cost structure and other expectations about the anticipated short term and long-term operating results of the business. Forecasts have been reassessed in the current year and deemed to be materially in line with forecasts assessed in the prior year. No further impairment or reversal was recognised.

## Notes to the financial statements (continued)

At 31 March 2022

### 16. Investment in subsidiaries and associates (continued)

Other investments comprise an investment in an associated company The Randpark Club, in South Africa and a 5% holding in Hitachi Plant Saudi Arabia.

At 31 March 2022, 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
Hitachi Information Control Systems Europe Limited	England and Wales	100% ordinary	Consultancy services to the rail industry
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

During the prior year the company sold its shareholding in Hitachi Automotive Systems UK Ltd for a consideration of £10,300,000.

## Notes to the financial statements (continued)

At 31 March 2022

### 17. Inventory

	2022	2021
	£000	£000
Finished goods and goods for resale	25,619	33,110
Inventory in transit	1,972	109
Inventory provision	(363)	(497)
	<u>27,228</u>	<u>32,722</u>

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

During the year the company recognised £34,863,000 (2021; £53,493,000) of inventory expense.

### 18. Trade and other receivables

	2022	2021
	£000	£000
Trade receivables	27,010	40,998
Amounts owed by group undertakings	12,307	2,756
Non-trade receivables*	14,126	16,400
Other receivables	3,479	7,341
	<u>56,922</u>	<u>67,495</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.

### 19. Other financial assets and financial liabilities

*Other financial assets are analysed as follows:*

	2022	2021
	£000	£000
Loan notes, owed by group undertakings:		
due within one year	420,573	384,477
due within 1-2 years	-	-
Total other financial assets	<u>420,573</u>	<u>384,477</u>

Interest from loan notes owed by group undertakings up to 31 December 2021 was receivable at a rate of LIBOR +40 basis points.

From 1 January 2022 this was changed to a monthly variable rate to represent the cost of funding and to include a short term spread.

	2022	2021
	£000	£000
Current interest-bearing loans owed to group undertakings:		
Wholly repayable within one year	315,488	288,418
Total other financial liabilities	<u>315,488</u>	<u>288,418</u>



## Notes to the financial statements (continued)

At 31 March 2022

### 19. Other financial assets and financial liabilities (continued)

Interest from loan notes owed by group undertakings up to 31 December 2021 was receivable at a rate of LIBOR +40 basis points.

From 1 January 2022 this was changed to a monthly variable rate to represent the cost of funding and to include a short term spread.

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.

#### *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>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Euro	214,299	113,914	235,397	123,539
USD	36,625	17,937	29,927	18,750
JPY	22,411	4,808	8,145	5,454
Other	17,095	1,731	9,101	8,734

## Notes to the financial statements (continued)

At 31 March 2022

### 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>2022</i>	<i>2021</i>
		<i>£000</i>	<i>£000</i>
EUR	+5%	1,005	(458)
	-5%	(1,110)	507
USD	+5%	(319)	(39)
	-5%	352	43
JPY	+5%	(679)	(31)
	-5%	751	34

#### 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 (continued)

At 31 March 2022

### 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 was recognised in the statement of profit or loss. During the year ended 31/03/2022 the White Brook Park buildings were demolished and an adjustment was made to write off the remaining NBV of the buildings, and reduce the impairment provision. Further details in relation to this classification as held for sale can be found within Note 2.

	2022 £000	2021 £000
Book value of the Land and Buildings	12,000	13,472
Loss on recognition of asset held for sale	(1,717)	(3,185)
At 31 March	<u>10,283</u>	<u>10,287</u>

During the year the business demolished the old HQ Whitebrook Park building to reduce operating expenses including business rates. The building had been fully impaired in March 2020. During the year management fully wrote down the book value of the buildings and reduced the impairment charge, resulting in a nil impact to the financial results. The Directors deem the value of the asset to be the fair value.

The Board considered the property to meet the criteria to be classified as held for sale for the following reasons:

- The shareholders of the company approved the plan to sell the property on 28th January 2020
- Property and land at Whitebrook Park remains available for immediate sale and can be sold to the buyer in its current condition.
- A potential buyer has been identified and negotiations are at an advanced stage, the sale agreement has been delayed, however, the potential buyer remains interested in purchasing the site and the asset remains held for sale.
- The actions to complete the sale were initiated and are expected to be completed within one year from the balance sheet date.

### 22. Authorised and issued share capital

		2022 £000		2021 £000
<i>Authorised, Allotted, called up and fully paid</i>	<i>No.</i>		<i>No.</i>	
Ordinary shares of £1 each	253,048,621	<u>253,049</u>	253,048,621	<u>253,049</u>

During the prior year the company made a capital return of 10,300,000 ordinary shares of £1.00 each with a total value of £10,300,000 to Hitachi, Ltd. The capital return was approved by the Board of Directors on 15<sup>th</sup> March 2021.

## Notes to the financial statements (continued)

At 31 March 2022

### 23. Provisions for liabilities

	<i>Product guarantee £000</i>	<i>Warranty £0000</i>	<i>Other £000</i>	<i>Total £000</i>
At 1 April 2021	4	-	2,593	2,597
Utilised during the year	(59)	-	(1,184)	(1,243)
Unused	-	-	-	-
Additional amounts provided	63	7	311	381
At 31 March 2022	8	7	1,720	1,735
Current	8	7	391	406
Non-current			1,329	1,329

#### **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.

### 24. Pensions

#### **Defined contribution scheme**

The company operates a defined contribution pension scheme. Company contributions to the scheme in the year to 31 March 2022 were £1,097,582 (2021; £1,122,097). There were no unpaid amounts at 31 March 2022 (2021; £nil).

#### **Defined benefit plan**

The Company participates in the Hitachi UK Pension Scheme (the Scheme), a funded defined benefit pension plan, which provides benefits based on final pensionable pay. 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 Company is of the view that it does not have an unconditional right to a refund of any surplus on wind-up of the Scheme. As in previous years, we have therefore applied an asset ceiling restriction as required under IFRIC 14. In addition, if IFRIC 14 applies the net present value of any contributions agreed to be paid to the Scheme by the Company need to be recognised. Currently no contributions are due.

The defined benefit obligation of the members of the Scheme allocated to the Company has a weighted average duration of around 19 years. The Trustee of the Scheme has completed two buy-in exercises covering the majority of the Scheme's liabilities. These were completed in January 2018 and August 2020 with Scottish Widows and Legal & General respectively.

## Notes to the financial statements (continued)

At 31 March 2022

### 24. Pensions (continued)

The 2018 Lloyds judgment ruled that Guaranteed Minimum Pensions must be equalised between males and females, which resulted in an additional estimated liability being included in the defined benefit obligation for the period to 31 March 2019.

In November 2020 a further High Court ruling determined that UK pension schemes will be required to equalise individual transfer payments made since 17 May 1990. The Company included an allowance for the impact of this supplementary ruling as a past service cost within its 31 March 2021 accounting figures.

#### IAS 19R

The results from the triennial actuarial valuation of the Scheme as at 1 April 2019 were updated to 31 March 2022 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:

	2022	2021
Discount rate	2.65%	2.00%
Rate of salary increase	n/a	n/a
Rate of retail price inflation	3.55%	3.30%
Rate of consumer price inflation	3.10%	2.75%
Rate of pension increases in payment - CPI max 5%	3.05%	2.75%
Post-retirement mortality assumption:		
Base table	104% of S3PA	104% of S3PA
Projections for future improvements	CMI 2021 Projections, long term	CMI 2020 Projections, long term
	trend rate of 1.25% p.a., smoothing factor of 7, initial addition of 0%, weighting ('w') parameter of 10%, year of birth projections	trend rate of 1.25% p.a., smoothing factor of 7, initial addition of 0%, year of birth projections

#### 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:

	2022	2021
	£000	£000
Fair value of plan assets	169,409	189,872
Benefit obligations	(161,215)	(181,548)
Funded status	8,194	8,324
Unrecognised surplus	(8,194)	(8,324)
Net amount recognised, end of year	-	-

## Notes to the financial statements (continued)

At 31 March 2022

### 24. Pensions (continued)

#### *Changes in impact of the asset ceiling / surplus recognition:*

	2022	2021
	£000	£000
Restriction due to asset ceiling, beginning of year	8,324	89,439
Interest on the asset ceiling	165	1,962
Change in the asset ceiling excluding interest	(295)	(83,077)
Restriction due to asset ceiling, end of year	<u>8,194</u>	<u>8,324</u>

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

	2022	2021
	£000	£000
Non-current asset	8,194	8,324
Unrecognised surplus	<u>(8,194)</u>	<u>(8,324)</u>
	-	-

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

	2022	2021
	£000	£000
Benefit obligations, beginning of year	181,548	161,834
Interest cost	3,573	3,468
Actuarial (gain) arising from changes in demographic assumptions	(1,476)	(258)
Experience (gain)	(2,973)	-
Actuarial (gain)/loss arising from changes in financial assumptions	(13,682)	24,899
Past Service cost	-	11
Gross benefits paid	<u>(5,775)</u>	<u>(8,406)</u>
Benefit obligation, end of year	<u>161,215</u>	<u>181,548</u>

## Notes to the financial statements (continued)

At 31 March 2022

### 24. Pensions (continued)

#### *Change in Plan Assets*

	2022	2021
	£000	£000
Fair value of plan assets, beginning of year	189,872	251,273
Interest income	3,738	5,430
Employer contribution	-	-
Experience (loss)	(18,256)	(57,850)
Administration expenses	(170)	(575)
Gross benefits paid	(5,775)	(8,406)
Fair value of plan assets, end of year	<u>169,409</u>	<u>189,872</u>

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

	2022	2021
	£000	£000
Government bonds and other assets	7,957	8,296
Insured Pensioners	160,878	181,168
Cash and Other	574	408
Total	<u>169,409</u>	<u>189,872</u>

#### **Risks**

The main risks to which the Company is typically 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 Trustee 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 Trustee reviews 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's liabilities are now covered by two buy-in policies (except the additional liability resulting from GMP equalisation). Therefore, the mortality, investment and inflation risks for the liabilities covered by the buy-in are now covered by the insurance policies.

## Notes to the financial statements (continued)

At 31 March 2022

### 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</i> <i>£000</i>
Decrease discount rate by 0.5%	15,600
Increase inflation rate by 0.5%	9,700
Life expectancies increase by 1 year	5,900

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

	<i>2022</i> <i>£000</i>	<i>2021</i> <i>£000</i>
Net interest cost on net defined assets	-	-
Administration expenses	170	575
Past service cost recognised	-	11
Net benefit cost in income statement	<u>170</u>	<u>586</u>

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

	<i>2022</i> <i>£000</i>	<i>2021</i> <i>£000</i>
Actuarial (gain)/loss arising from changes in assumptions	(15,158)	24,641
Experience (gain) on liabilities	(2,973)	-
Experience loss on assets	18,256	57,850
Effect of asset ceiling	(295)	(83,077)
Gain recognised in other comprehensive income	<u>(170)</u>	<u>(586)</u>
Cumulative actuarial loss recognised in other comprehensive income	<u>57,884</u>	<u>58,054</u>

#### **Expected employer contributions**

The Company is currently committed to pay no contributions to the Scheme in the year to 31 March 2023.



## Notes to the financial statements (continued)

At 31 March 2022

### 25. Trade and other payables

	2022	2021
	£000	£000
Trade payables – third party	17,225	22,369
Amounts owed to group undertakings	20,286	22,786
Accruals	14,541	9,940
Other taxes and social security costs	-	191
Other payables	7,054	9,243
	<u>59,106</u>	<u>64,529</u>

### 26. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £1,931,411 (2021; £1,316,217). These relate to committed purchase orders at the year-end date for goods and services to be provided in the next financial year.

### 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 2022 £3,600,000 (2021; £3,600,000). In addition, the company had import letters of credit in place with the Bank of Tokyo-Mitsubishi totalling £nil at 31 March 2022 (2021; £1,297,244), and with Citibank £1,846,899 (2021; £1,846,899)

### 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