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Hitachi Europe Limited

Report and Financial Statements

31 March 2007

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COMPANIES HOUSE

Hitachi Europe Limited

Registered No 02210686

Directors

S Gomersall	(British)
S Kawamoto	(Japanese)
H Ariyasu	(Japanese)
M Hisada	(Japanese)

Secretary

A Tolan

Auditors

Ernst & Young LLP
Apex Plaza
Reading
Berkshire
RG1 1YE

Registered Office

Whitebrook Park
Lower Cookham Road
Maidenhead
Berkshire
SL6 8YA

Directors' report

The directors present their report and financial statements for the year ended 31 March 2007

Principal activities, review of the business and future developments

The principal activities of the group consist of the distribution of consumer electronic products, the import and sale of computers and other electronic equipment, air conditioning equipment, industrial and automotive components and computers

Details of the group's results for the year ended 31 March 2007 are set out in the consolidated profit and loss account on page 9. Other than the net result for the year, the other key performance indicator for the group is turnover which was up by 6.2% year on year (2006 £588,366,000)

The balance sheet on page 11 of the financial statements shows that the group's financial position at the year end is, in both net assets and cash terms, consistent with the prior year. Details of amounts owed to the group's parent company are shown in note 16 on page 28.

The Hitachi Europe Limited group manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the European division of Hitachi Limited, which includes the company, is discussed in Hitachi Limited's annual report which does not form part of this report.

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

Research and development

The group operates research laboratories in Dublin, Cambridge and Sophia Antipolis.

Principal risks faced by the group

The group'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 excellent relationships between the company and its long-standing and loyal customer base which has evolved through high levels of customer care and a generous after-sales support service.

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 expose it to a variety of financial risks that include liquidity risk, interest rate risk, currency risk and credit risk. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Directors' report (continued)

Principal risks faced by the group (continued)

Liquidity risk The company retains sufficient cash to ensure it has sufficient funds available for operations. The company would have access to longer term funding from its ultimate parent if required.

Interest rate risk The company has various loans and financial liabilities (see note 16). Regarding the bank loan the directors consider that the interest rate risk is at an acceptable level and that no hedging of interest rates is necessary.

Currency risk The company has transactional currency exposures which arise from sales and purchases in currencies other than its functional currency. 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.

Credit risk There is a risk of financial loss to the company arising from the failure of the company's customers to meet their financial obligations for the services provided by the company. The company manages this situation through credit control procedures and management are of the view that the risk is at an acceptable level.

Proposed dividends and retained reserves

The directors recommend payment of a final dividend of £nil (2006: £nil). Group profit for the year was £10,308,000 (2006: £9,409,000 loss). The profit for the parent company for the year is £2,763,000 (2006: £15,580,000 loss).

No profit and loss account is presented for the company as permitted by section 230 of the Companies Act 1985.

Environment

The Hitachi Europe Limited group 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 group's activities.

Directors and their interests

The directors who held office during the year and to the date of this report are as follows:

S Gomersall	(British)	
S Kawamoto	(Japanese)	(appointed 1 June 2007)
H Ariyasu	(Japanese)	(appointed 1 November 2006)
M Yotsu	(Japanese)	(resigned 1 November 2006)
Y Koshimizu	(Japanese)	(resigned 1 November 2006)
S Yoshikawa	(Japanese)	(resigned 1 June 2007)
M Hisada	(Japanese)	(appointed 1 April 2007)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the group companies.

Directors' liabilities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Directors' report (continued)

Branches

The company has branches in Belgium and Ireland

Employees

The group is committed to policies which will promote opportunity in employment regardless of sex, marital status, religion, colour, race, nationality or ethnic origin

The group supports and provides training and education for all staff relevant to current and future business needs. The group gives full and fair consideration to application from disabled persons. If an employee becomes disabled the group endeavours to continue their employment if this is practical and in the appropriate cases training is given.

A company wide quarterly newsletter is issued to all Hitachi Europe Limited staff, which provides information on current business activities. A pensions' newsletter, for members of the Hitachi Europe Limited Retirement and Death Benefits Scheme, is distributed twice yearly and provides information about pensions.

The company is a member of the Hitachi European Conference which was formed to facilitate co-operation and understanding between management and employees on a Europe wide basis and to discuss significant trans-national issues concerning the business of Hitachi within Europe.

Creditor payment policy and practice

It is the group's policy for the current and future years that payments to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 March 2007, the company had an average of 16 days purchased outstanding in trade creditors (2006: 34 days)

Political and charitable donations

The group made no political contributions during the year (2006: £nil). Donations to UK charities amounted to £10,871 (2006: £22,415).

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquires of fellow directors and of the company's auditors, each of these directors confirm that:

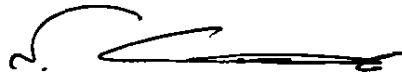
- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are not aware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report (continued)

Auditors

A resolution to appoint Ernst & Young LLP as the company's auditors will be put to the members at the Annual General Meeting

By order of the Board



S Kawamoto

Director

Date 19.12.08

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

to the members of Hitachi Europe Limited

We have audited the group and parent company financial statements (the "financial statements") of Hitachi Europe Limited for the year ended 31 March 2007 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of Hitachi Europe Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Reading

Date 19 December 2007

Group profit and loss account

for the year ended 31 March 2007

		2007	2006
	Note	£'000	£'000
Turnover			
Continuing operations		624,922	588,366
Cost of sales		(543,414)	(516,680)
Gross profit		81,508	71,686
Distribution costs		(46,616)	(43,684)
Administrative expenses		(26,709)	(33,388)
Operating profit/(loss)			
Continuing operations		8,183	(5,386)
Net finance costs in respect of defined benefit pension schemes	7	(556)	(799)
Loss on disposal of fixed assets		-	(478)
Income from associated undertaking	5	-	-
Other interest receivable and similar charges	6	8,748	3,720
Interest payable and similar charges	8	(4,942)	(5,962)
Profit/(loss) on ordinary activities before taxation	2	11,433	(8,905)
Tax (charge)/credit on loss on ordinary activities	9	(1,125)	(504)
Profit/(loss) on ordinary activities after taxation		10,308	(9,409)
Dividends	10	-	-
Retained profit/(loss) for the financial year	20	10,308	(9,409)

A statement of movements on reserves is given in note 20

A note of historical cost profits and losses has not been included as part of these financial statements as the results, as disclosed in the profit and loss account, are prepared on an unmodified historical cost basis

Group statement of total recognised gains and losses

for the year ended 31 March 2007

	<i>Note</i>	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Profit/(loss) for the financial year	20	10,308	(9,409)
Actuarial loss in respect of defined benefit pension scheme	20	(241)	(4,253)
Related deferred tax		-	-
Total recognised gains and losses relating to the year		<u>10,067</u>	<u>(13,662)</u>

Group balance sheet

at 31 March 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	11	34,859	36,235
Intangible assets	12	4,937	-
Investments	13	9,460	9,454
		<u>49,256</u>	<u>45,689</u>
Current assets			
Stocks	14	54,478	62,255
Debtors	15	196,013	180,073
Cash at bank and in hand		17,393	8,089
		<u>267,884</u>	<u>250,417</u>
Creditors amounts falling due within one year	16	(244,390)	(239,577)
Net current assets		<u>23,494</u>	<u>10,840</u>
Total assets less current liabilities		<u>72,750</u>	<u>56,529</u>
Creditors amounts falling due after more than one year	17	(781)	(727)
Provisions for liabilities and charges	18	(13,660)	(13,435)
Net assets excluding pension liability		<u>58,309</u>	<u>42,367</u>
Pension liability	23	(25,210)	(25,912)
Net assets including pension liability		<u><u>33,099</u></u>	<u><u>16,455</u></u>

	Note	2007 £'000	2006 £'000
Capital and Reserves			
Called up share capital	19	25,508	19,413
Other reserves	20	7,275	7,275
Profit and loss account	20	316	(10,233)
Equity shareholders' funds		<u><u>33,099</u></u>	<u><u>16,455</u></u>

Approved by the Board

H Ariyasu

Director

Date

19-12-07


Company balance sheet

at 31 March 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	11	33,326	34,715
Intangible assets	12	4,937	-
Investments	13	29,242	26,155
		<u>67,505</u>	<u>60,870</u>
Current assets			
Stocks	14	42,244	52,696
Debtors	15	125,657	111,873
Cash at bank and in hand		4,007	5,172
		<u>171,908</u>	<u>169,741</u>
Creditors: amounts falling due within one year	16	(183,419)	(183,057)
Net current liabilities		<u>(11,511)</u>	<u>(13,316)</u>
Total assets less current liabilities		<u>55,994</u>	<u>47,554</u>
Provisions for liabilities and charges	18	(11,845)	(11,802)
Net assets excluding pension liability		<u>44,149</u>	<u>35,752</u>
Pension liability	23	(25,210)	(25,912)
Net assets including pension liability		<u>18,939</u>	<u>9,840</u>

	Note	2007 £'000	2006 £'000
Capital and Reserves			
Called up share capital	19	25,508	19,413
Profit and loss account	20	(6,569)	(9,573)
Equity shareholders' funds		<u>18,939</u>	<u>9,840</u>

Approved by the Board


H Ariyasu

Director

Date

19-12-07

Notes to the financial statements

at 31 March 2007

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting rules

Under Financial Reporting Standard No 1 (revised 1996) the group is exempt from the requirement to prepare a cash flow statement. Accordingly, no cash flow statement has been prepared

Basis of consolidation

The group financial statements consolidate the financial statements of Hitachi Europe Limited and all its subsidiary undertakings. These financial statements are made up to 31 March 2007

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary and associated undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

The group's share of the net assets and results of Logitek SA and Hiflex Automatiseringstechnik E V, and Hitachi Drives and Automation GmbH, associated companies, have not been incorporated in the consolidated financial statements as they are not material for the purpose of giving a true and fair view. The group's share of the net assets and results of Hitachi Power Europe GmbH and Hitachi Automotive Products (Europe) Limited, associated companies, have not been incorporated in the consolidated financial statements as the company does not exercise any significant influence over the activities of these companies and does not expect to do so in the near future. The group's interests in Logitek SA, Hiflex Automatiseringstechnik E V, Hitachi Drives and Automation GmbH, Hitachi Power Europe GmbH and Hitachi Automotive Products (Europe) Limited are included in fixed asset investments at cost

In the company's financial statements, investments in subsidiary undertakings are stated at cost, less provision for any impairment. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company

In accordance with Section 230(4) of the Companies Act 1985 Hitachi Europe Limited is exempt from the requirement to present its own profit and loss account

The result of Hitachi Europe Limited for the year is disclosed in note 20 to these financial statements

Goodwill

Goodwill arising on acquisitions prior to 31 December 1997 was set off directly against reserves. Goodwill previously eliminated against reserves was not reinstated on implementation of FRS 10

Positive goodwill arising on acquisitions since 1 January 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure

Notes to the financial statements

at 31 March 2007

1. Accounting policies (continued)

Fixed assets and depreciation

Depreciation is provided to write off the costs less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold buildings	-	50 years
Leasehold property	-	Lesser of life of lease or 15 years
Leasehold improvements	-	Lesser of life of lease or 3 years
Plant and machinery, fixtures and fittings	-	3 to 10 years
Motor vehicles	-	3 years
Tooling equipment	-	2 years

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

Fixed asset investments

Investments held as fixed assets are stated at cost less amounts written off

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental amounts are charged to the profit and loss account on a straight line basis over the life of the lease.

Foreign currency conversion

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.

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. The profit and loss financial statements of overseas subsidiary undertakings are translated at the average rate of exchange for the year. Exchange differences arising on these translations are taken to reserves and the statement of total recognised gains and losses.

Notes to the financial statements

at 31 March 2007

1. Accounting policies (continued)

Foreign currency conversion (continued)

The translation of the profit and loss financial statements of overseas subsidiary undertakings at the average rate of exchange for the year represents a change in accounting policy. These balances were previously translated at the closing exchange rates for the period. This change has been made to bring the Hitachi Europe Limited group policy in line with the policy of the ultimate parent company. The prior year comparatives have not been restated to reflect this change in accounting policy as this would not result in a material difference from the reported results.

Vacant leasehold property

Provision is made, on a discounted basis, for the amount by which the future obligations relating to vacant leasehold property are expected to exceed the amount recoverable through their sale or rental.

Pension costs and other post-retirement benefits

The group operates a number of pension schemes. The assets of the schemes are held separately from those of the group.

Pension scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discontinued 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.

The pension scheme deficit is recognised in full on the balance sheet. The deferred tax relating to a defined benefit liability is offset against the defined benefit liability and not included with other deferred tax assets or liabilities (see note 23).

Increases in the present value of the scheme liabilities expected to arise from employee service in the period are charged to operating profit. The expected return on scheme assets less the increase in the present value of scheme liabilities arising from the passage of time are included in other interest and shown adjacent to interest payable. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

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.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account.

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items if income and expenditure in taxation computations in periods different to those in which they are included in the financial statements.

Notes to the financial statements

at 31 March 2007

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted,

Deferred tax is not provided on unremitted earnings of overseas subsidiaries where there is no binding commitment to remit these earnings

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Provisions

The policies adopted for the recognition and calculation of provisions are as disclosed in note 18

Turnover

Turnover represents the amounts (excluding value added tax and other sales related taxes) derived from the provision of goods and services to third party customers during the year

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 1985 and SSAP25 would be seriously prejudicial to the interests of the group

Stocks

Stocks are stated at the lower of cost and net realisable value

Notes to the financial statements

at 31 March 2007

2. Profit on ordinary activities before taxation

This is stated after charging

	2007 £'000	2006 £'000
Auditors' remuneration		
- parent company audit fee	162	200
- other group companies' audit fees	127	305
- other services	150	-
Depreciation		
- owned assets	2,045	2,777
Rentals payable under operating leases		
- plant and machinery	283	236
- other	2167	2,494
Research and development expenditure	284	316
	<u> </u>	<u> </u>

All operations are continuing

3. Directors' remuneration

	2007 £'000	2006 £'000
Directors' emoluments	764	677
Company contributions to pension schemes	-	2
	<u> </u>	<u> </u>

The emoluments of the highest paid director were £330,661 (2006 £251,681)

Three directors accrued benefits to a defined benefit scheme based in Japan (2006 3) No director is accruing benefits as a member of the Hitachi Europe Limited Retirement and Death Benefits Scheme (2006 nil)

4. Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows

	2007 No	2006 No
Research and development	28	30
Sales and distribution	344	304
Administration	126	157
	<u> </u>	<u> </u>
	498	491
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 March 2007

4. Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	2007 £'000	2006 £'000
Wages and salaries	28,421	28,358
Social security costs	4,310	3,919
Other pension costs (see note 23)	1,279	1,354
	<u>34,010</u>	<u>33,631</u>

5. Income from associated undertakings

	2007 £'000	2006 £'000
Dividends receivable	-	-
	<u>-</u>	<u>-</u>

6. Other interest receivable and similar income

	2007 £'000	2006 £'000
Interest receivable	1,884	2,139
Exchange gains	3,719	-
Other income	3,145	1,581
	<u>8,748</u>	<u>3,720</u>

7. Defined benefit pension finance cost

	2007 £'000	2006 £'000
Net finance costs in respect of defined benefit pension schemes	556	799
	<u>556</u>	<u>799</u>

8. Interest payable and similar charges

	2007 £'000	2006 £'000
On bank loans and overdrafts	1,836	1,531
On all other loans to group undertakings	3,106	2,303
Exchange losses	-	2,128
	<u>4,942</u>	<u>5,962</u>

Notes to the financial statements

at 31 March 2007

9. Tax charge on loss on ordinary activities

(a) Analysis of tax charge on ordinary activities

	2007 £'000	2006 £'000
UK corporation tax at 30% (2006 30%) on the loss for the year	-	-
Adjustment in respect of prior years	45	(1,169)
	<u>45</u>	<u>(1,169)</u>
Overseas taxation for current year	1,080	1,177
Adjustment in respect of prior years	-	496
	<u>1,080</u>	<u>1,673</u>
Total current taxation	<u>1,125</u>	<u>504</u>
<i>Deferred taxation</i>		
Timing differences origination and reversal	-	-
Adjustments in respect of prior year	-	-
Total deferred taxation	<u>-</u>	<u>-</u>
Total taxation	<u>1,125</u>	<u>504</u>

(b) Factors affecting the tax charged for the current period

The tax assessed for the current period is higher than that resulting from applying the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	2007 £'000	2006 £'000
Loss on ordinary activities	11,433	(8,905)
Taxation at 30% thereon	3,429	(2,672)
Expenses not deductible for tax purposes	575	1,025
Capital allowances in excess of depreciation	533	60
Movement in short term timing differences	(236)	-
Overseas tax rates	57	-
Taxation loss utilised/not relieved	(3,278)	3,662
Adjustments in respect of prior period	45	(1,571)
	<u>1,125</u>	<u>504</u>

Notes to the financial statements

at 31 March 2007

9. Tax charge on loss on ordinary activities (continued)

(c) Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of timing differences relating mainly to carried forward trading losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £28,252,000 (2006 £30,895,000). The asset would be recovered if profits were made in the future in the same trade as that in which the losses were incurred of an amount equal to the amount of the carried forward losses.

10. Dividends

	2007 £'000	2006 £'000
<i>Ordinary shares</i>		
Interim dividend payable	-	-
Final dividend payable	-	-
	<hr/>	<hr/>
	-	-
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Notes to the financial statements

at 31 March 2007

11. Tangible fixed assets

<i>Group</i>	<i>Freehold land</i> <i>£'000</i>	<i>Freehold buildings</i> <i>£'000</i>	<i>Short leasehold improvements</i> <i>£'000</i>	<i>Plant and Machinery</i>		<i>Fixtures fittings, and motor vehicles</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
<i>Cost</i>							
At 31 March 2006	12,000	35,393	2,269	13,336	335	2,848	66,181
Additions	-	-	88	450	-	150	688
Reclassifications	-	-	-	238	(238)	-	-
Disposals	-	-	(111)	(394)	-	(107)	(612)
Exchange differences	-	-	(5)	(2)	-	(4)	(11)
At 31 March 2007	12,000	35,393	2,241	13,628	97	2,887	66,246
<i>Depreciation</i>							
At 31 March 2006	-	13,895	2,039	11,496	335	2,181	29,946
Charge for year	-	675	58	1,127	-	185	2,045
Exchange differences	-	-	4	1	-	3	8
Reclassifications	-	-	-	238	(238)	-	-
On disposals	-	-	(111)	(394)	-	(107)	(612)
At 31 March 2007	-	14,570	1,990	12,468	97	2,262	31,387
<i>Net book value</i>							
At 31 March 2007	12,000	20,823	251	1,160	-	625	34,859
At 31 March 2006	12,000	21,498	230	1,840	-	667	36,235

Notes to the financial statements

at 31 March 2007

11. Tangible fixed assets (continued)

<i>Company</i>	<i>Freehold land £'000</i>	<i>Freehold buildings £'000</i>	<i>Short leasehold improvements £'000</i>	<i>Plant and Machinery</i>		<i>Fixtures, fittings, and motor vehicles £'000</i>	<i>Total £'000</i>
<i>Cost</i>							
At 31 March 2006	12,000	35,100	796			604	57,422
Additions	-	-	-	238		13	499
Disposals	-	-	-	-		(262)	(262)
Exchange differences	-	-	-	(15)		(2)	(17)
Reclassifications	-	-	-	238	(238)	-	-
At 31 March 2007	12,000	35,100	796	9,131	-	615	57,642
<i>Depreciation</i>							
At 31 March 2006	-	13,765	790	7,349	238	565	22,707
Charge for year	-	643	4	1,115	-	16	1,778
On disposals	-	-	-	(167)	-	-	(167)
Exchange differences	-	-	-	(1)	-	(1)	(2)
Reclassifications	-	-	-	238	(238)	-	-
At 31 March 2007	-	14,408	794	8,534	-	580	24,316
<i>Net book value</i>							
At 31 March 2007	12,000	20,692	2	597	-	35	33,326
At 31 March 2006	12,000	21,335	6	1,335	-	39	34,715

Notes to the financial statements

at 31 March 2007

12. Intangible fixed assets

	<i>Goodwill</i> £000
<i>Cost</i>	
At 1 April 2006	-
Acquisition of subsidiary undertakings	4,937
At 31 March 2007	<u>4,937</u>
<i>Amortisation</i>	
At 1 April 2006	-
Provided during the year	-
At 31 March 2007	<u>-</u>
<i>Net book value</i>	
At 31 March 2007	<u>4,937</u>
At 1 April 2006	<u>-</u>

Goodwill is being amortised as follows

- goodwill arising on the acquisition of Adélie SAS is being amortised evenly over the directors' estimate of its useful economic life of 10 years, and
- goodwill arising on the acquisition of Air Développement SAS is being amortised evenly over the directors' estimate of its useful economic life of 10 years, and
- goodwill arising on the acquisition of Climaspère SAS is being amortised evenly over the directors' estimate of its useful economic life of 10 years

The company did not commence amortisation of the goodwill until the three companies above had been formally merged with Hitachi Europe SAS on the effective date of 1 April 2007, thus enabling the full benefit of the acquisitions to be realised

Notes to the financial statements

at 31 March 2007

13. Fixed asset Investments

<i>Group</i>	<i>Interests in associated undertaking</i>	<i>Other investments</i>	<i>Total</i>
<i>Cost</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 31 March 2006	9,327	6,978	16,305
Disposals	-	(4,604)	(4,604)
Foreign exchange	6	-	6
At 31 March 2007	9,333	2,374	11,707
<i>Provisions</i>			
At 31 March 2006	-	(6,851)	(6,851)
Disposals	-	4,604	4,604
At 31 March 2007	-	(2,247)	(2,247)
<i>Net book value</i>			
At 31 March 2007	9,333	127	9,460
At 31 March 2006	9,327	127	9,454

<i>Company</i>	<i>Interests in subsidiary undertakings</i>	<i>Other investments</i>	<i>Total</i>
<i>Cost</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 31 March 2006	162,353	6,858	169,211
Additions	3,083	-	3,083
Disposals	-	(4,604)	(4,604)
Foreign Exchange	4	-	4
At 31 March 2007	165,440	2,254	167,694
<i>Provisions</i>			
At 31 March 2006	(136,205)	(6,851)	(143,056)
Disposals	-	4,604	4,604
At 31 March 2007	(136,205)	(2,247)	(138,452)
<i>Net book value</i>			
At 31 March 2007	29,235	7	29,242
At 31 March 2006	26,148	7	26,155

Notes to the financial statements

at 31 March 2007

13. Fixed asset investments (continued)

The principal operating companies in which the company's interest direct or indirect is more than 10% are as follows

<i>Subsidiary undertakings</i>	<i>Country of registration or incorporation</i>	<i>Class and percentage of shares held</i> <i>Company</i>	<i>Principal Activities</i>
Hitachi Europe GmbH	Germany	100% ordinary	Marketing of electronic equipment and components, air-conditioning equipment and industrial components
Hitachi Europe SAS	France	100% ordinary	Holding company
Hitachi Home Electronics (Europe) Limited	England and Wales	100% ordinary	Manufacturing and marketing of consumer electronics products (non trading)
Hitachi Europe SA	Greece	100% ordinary	Marketing of consumer electronics products
Hitachi Europe AB	Sweden	100% ordinary	Marketing of consumer electronics products
Hitachi Europe Srl	Italy	100% ordinary	Marketing of consumer electronic products
Hitachi Europe SA	Spain	100% ordinary	Marketing of consumer electronics products
Climasphère SAS	France	100% ordinary	Distribution of air-conditioning equipment
Air Développement SAS	France	100% ordinary	Distribution of air-conditioning equipment
Adélie SAS	France	100% ordinary	Distribution of air-conditioning equipment

Notes to the financial statements

at 31 March 2007

13. Fixed asset investments (continued)

<i>Associated undertakings</i>	<i>Country of registration or incorporation</i>	<i>Class and percentage of shares held</i>	<i>Principal Activities</i>
Logitek SA	Spain	33% ordinary	Marketing of air-conditioning equipment
Hiflex Automatiserings-technik E V	Netherlands	30% ordinary	Distributor of components
Hitachi Drives and Automation GmbH	Germany	40% ordinary	Distributor of components
<i>Other investments</i>			
Drivetec	Italy	18% ordinary	Distributor

On 31 October 2006 the group acquired Adélie SAS, Air Développement SAS and Climaspère SAS for a consideration of €11,210,282 satisfied by cash. The investment in Adélie SAS, Air Développement SAS and Climaspère SAS have been included in the company's balance sheet at its fair value at the date of acquisition.

Analysis of the acquisition of Adélie SAS, Air Développement SAS and Climaspère SAS

Net assets at date of acquisition

	<i>Adélie £000</i>	<i>Air Développement £000</i>	<i>Climaspère £000</i>	<i>Fair value to group £000</i>
Tangible fixed assets	42	93	63	198
Stocks	288	333	176	797
Debtors (including deferred taxation of £300,000)	3,483	2,756	1,513	7,752
Cash	0	1,587	92	1,679
Creditors due within one year	(2,914)	(3,166)	(1,263)	(7,343)
Net assets	899	1,603	581	3,083
Goodwill arising on acquisition				4,937
				8,020
Discharged by				
Cash payment				7,555
Costs associated with the acquisition				465
				8,020

Book value on acquisition is equal to fair value

Notes to the financial statements

at 31 March 2007

14. Stocks

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Finished goods and goods for resale	54,478	62,255	42,244	52,696
	<u>54,478</u>	<u>62,255</u>	<u>42,244</u>	<u>52,696</u>

There is no material difference between the replacement cost of stock and its balance sheet amount

15. Debtors

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
<i>Amounts falling due within one year</i>				
Trade debtors	104,138	100,643	14,307	15,778
Amounts owed by group undertakings	55,232	32,257	98,801	82,572
Other debtors	17,951	26,891	7,586	13,205
Corporation tax receivable	-	-	4,528	-
Prepayments and accrued income	16,752	18,194	435	318
	<u>194,073</u>	<u>177,985</u>	<u>125,657</u>	<u>111,873</u>
<i>Amounts falling due after more than one year</i>				
Other debtors	1,940	2,088	-	-
	<u>196,013</u>	<u>180,073</u>	<u>125,657</u>	<u>111,873</u>

Notes to the financial statements

at 31 March 2007

16. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	102,918	74,637	100,680	74,637
Trade creditors	23,667	47,669	18,692	37,273
Amounts owed to group undertakings	62,260	64,398	30,999	43,541
Corporation tax payable	1,397	585	-	54
Other creditors including taxation and social security	6,187	15,475	5,039	5,739
Other creditors	5,486	2,003	3,576	1,240
Accruals and deferred income	42,475	34,810	24,433	20,573
	<u>244,390</u>	<u>239,577</u>	<u>183,419</u>	<u>183,057</u>

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

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Accruals and deferred income	781	727	-	-

18. Provisions for liabilities and charges

<i>Group</i>	<i>Product</i>	<i>Deferred</i>	<i>Property</i>	<i>Environ-</i>	<i>Other</i>	<i>Total</i>
	<i>guarantee</i>	<i>taxation</i>	<i>provisions</i>	<i>mental</i>		
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2006	7,599	-	1,765	1,038	3,033	13,435
Utilised during the year	(34,696)	-	(307)	(7,919)	(529)	(43,451)
Additional amounts provided	33,496	-	29	8,109	2,042	43,676
At 31 March 2007	<u>6,399</u>	<u>-</u>	<u>1,487</u>	<u>1,228</u>	<u>4,546</u>	<u>13,660</u>

Notes to the financial statements

at 31 March 2007

18. Provisions for liabilities and charges (continued)

Product guarantee provision

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

Property provisions

The provision primarily relates to anticipated losses associated with rental obligations on vacant or sub-let leasehold premises. The provision represents the discounted net expenditure related to the properties, that is the net of the amounts to be paid under the leases less any rental income arising from sub-letting, discounted at a rate of 5% (2006: 5%) per annum. The outstanding terms of the leases range between three and ten years. Sub-letting income is assumed to increase at an underlying rate of 6% (2006: 6%) per annum over the term of the lease. The expenditure will be incurred over the remaining terms of the leases.

Environmental provision

The provision represents management's estimate of the amount required to cover the anticipated group liability under the European Waste Electrical & Electronic Equipment Directive. The provision has been calculated based on Hitachi's market share of industry-wide estimates of the total annual costs to be incurred under the expected UK legislation implementing the Directive. The provision also takes into account industry-wide estimates of average product lifetime.

<i>Company</i>	<i>Product guarantee £'000</i>	<i>Property provisions £'000</i>	<i>Environ- mental provisions £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>
At 31 March 2006	5,966	1,765	1,038	3,033	11,802
Utilised during the year	(33,214)	(307)	(7,919)	(515)	(41,955)
Additional amounts provided	33,510	29	8,109	350	41,998
At 31 March 2007	6,262	1,487	1,228	2,868	11,845

Notes to the financial statements

at 31 March 2007

18. Provisions for liabilities and charges (continued)

Deferred taxation

The amounts provided for deferred taxation and the amounts not provided are set out below

	2007	2006
	<i>Unprovided</i>	<i>Unprovided</i>
<i>Group</i>	<i>£'000</i>	<i>£'000</i>
Difference between accumulated depreciation and amortisation and capital allowances	(2,221)	(2,322)
Utilised losses	(24,689)	(27,090)
Unrealised exchange gains	-	-
Other timing differences	(1,342)	(1,283)
	<u>(28,252)</u>	<u>(30,695)</u>

	2007	2006
	<i>Unprovided</i>	<i>Unprovided</i>
<i>Company</i>	<i>£'000</i>	<i>£'000</i>
Difference between accumulated depreciation and amortisation and capital allowances	(2,221)	(2,322)
Utilised losses	(24,689)	(27,090)
Unrealised exchange gains	-	-
Other timing differences	(1,245)	(1,186)
	<u>(28,155)</u>	<u>(30,598)</u>

19. Called up share capital

	2007	2006
	<i>£'000</i>	<i>£'000</i>
<i>Authorised</i>		
Ordinary shares of £1 each	50,000	50,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>25,508</u>	<u>19,413</u>

On 25th October 2006, Hitachi Europe Limited issued 6,094,794 ordinary shares with an aggregate nominal value of £6,094,794 at par to Hitachi Limited and settled in full for cash

Notes to the financial statements

at 31 March 2007

20. Reconciliation of shareholders' funds and movements on reserves

Group

	<i>Share capital £'000</i>	<i>Other reserves £'000</i>	<i>Profit and loss account £'000</i>	<i>Total share- holders' funds £'000</i>
At 31 March 2005 as restated	12,270	7,275	3,429	22,974
Increase in share capital	7,143	-	-	7,143
Loss for the financial year	-	-	(9,409)	(9,409)
Actuarial loss on defined benefit pension scheme	-	-	(4,253)	(4,253)
At 31 March 2006	19,413	7,275	(10,233)	16,455
Increase in share capital	6,095	-	-	6,095
Profit for the financial year	-	-	10,308	10,308
Actuarial loss on defined benefit pension scheme	-	-	241	241
At 31 March 2007	25,508	7,275	316	33,099

Company

	<i>Share capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Total share- holders' funds £'000</i>
At 31 March 2005 as restated	12,270	10,260	22,530
Increase in share capital	7,143	-	7,143
Loss for the financial year	-	(15,580)	(15,580)
Actuarial loss on defined benefit pension scheme	-	(4,253)	(4,253)
At 31 March 2006	19,413	(9,573)	9,840
Increase in share capital	6,095	-	6,095
Loss for the financial year	-	2,763	2,763
Actuarial loss on defined benefit pension scheme	-	241	241
At 31 March 2007	25,508	(6,569)	18,939

Notes to the financial statements

at 31 March 2007

21. Commitments

(i) Capital commitments at the end of the financial year for which no provision has been made

	<i>Group</i>		<i>Company</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Contracted	645	1,366	645	1,366

(ii) Annual commitments under non-cancellable operating leases are as follows

<i>Group</i>	<i>Land and buildings</i>		<i>Land and buildings</i>	
	<i>2007</i>	<i>Other</i>	<i>2006</i>	<i>Other</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Operating leases which expire</i>				
- within one year	3	18	422	31
- in the second to fifth years inclusive	1,318	265	1,347	212
- over five years	793	-	793	-
	2,114	283	2,562	243
<i>Company</i>				
	<i>Land and buildings</i>		<i>Land and buildings</i>	
	<i>2007</i>	<i>Other</i>	<i>2006</i>	<i>Other</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Operating leases which expire</i>				
- within one year	-	-	-	2
- in the second to fifth years inclusive	130	-	203	-
- over five years	793	-	793	-
	923	-	996	2

22. Guarantees

The group has given bonds and guarantees to Customs authorities in Europe in the normal course of trading which amounted to £34,914,642 at 31 March 2007 (2006 £37,535,456)

Notes to the financial statements

at 31 March 2007

23. Pension schemes

Hitachi Europe Limited participates in the Hitachi UK Pension Scheme. This is a multi-employer defined benefit scheme.

A full actuarial valuation of the Hitachi UK Pension Scheme was carried out at 31 March 2004 and updated as at 31 March 2006 by a qualified independent actuary. Hitachi Europe Limited is a participating employer in this scheme. The assets of the scheme are not formally segregated. However, the share of the deficit to each participating employer at 1 April 2004 were agreed with the employers for the purpose of funding the deficit and this split has been used to produce the approximate FRS 17 disclosures for Hitachi Europe Limited. The major assumptions used by the actuary were (in nominal terms)

	<i>At year end 31 March 2007</i>	<i>At year end 31 March 2006</i>	<i>At year end 31 March 2005</i>
Rate of increase in salaries	4.6%	4.25%	4.25%
Rate of increase of pensions payment	3.1%	2.75%	2.75%
Discount rate	5.25%	4.90%	5.40%
Inflation assumption	3.1%	2.75%	2.75%

The fair value of the assets in the scheme, the expected rate of return, the present value of the scheme liabilities and the resulting deficit were

	<i>At year end 31 March 2007 £'000</i>	<i>At year end 31 March 2006 £'000</i>	<i>At year end 31 March 2005 £'000</i>
Equities	7.00% 35,161	7.30% 34,541	7.25% 26,878
Bonds	5.00% 10,763	4.50% 25,664	4.75% 21,503
Other	4.50% 17,817	4.50% 181	4.35% 489
Total market value of assets	63,741	60,386	48,870
Present value of scheme liabilities	(88,951)	(86,298)	(70,867)
Pension deficit in the scheme before tax	(25,210)	(25,912)	(21,997)
Related deferred tax asset/(liability)	-	-	-
Net pension liability	(25,210)	(25,912)	(21,997)

Analysis of the amount chargeable to operating profit

	<i>2007 £'000</i>	<i>2006 £'000</i>
Current service cost	1,572	1,602
Past service cost	-	-
Total operating charge	1,572	1,602

Notes to the financial statements

at 31 March 2007

23. Pension schemes (continued)

Analysis of net return of pension scheme

	2007 £'000	2006 £'000
Expected return on pension scheme assets	3,696	3,043
Interest on pension liabilities	(4,252)	(3,842)
Net return on assets / (interest cost)	(556)	(799)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2007 £'000	2006 £'000
Actual return less expected return on assets	(703)	6,779
Experience gains and losses on liabilities	82	(206)
Changes in assumptions	862	(10,826)
Actuarial loss recognised in STRGL	241	(4,253)

Movement in surplus during the year

	2007 £'000	2006 £'000
Deficit at beginning of year	(25,912)	(21,997)
<i>Movement in year</i>		
Current service cost	(1,572)	(1,602)
Contributions	2,589	2,739
Past service costs	-	-
Net return on assets/(interest cost)	(556)	(799)
Actuarial loss	241	(4,253)
Deficit at end of year	(25,210)	(25,912)

History of experience gains and losses

	2007	2006	2005
<i>Difference between expected and actual return on scheme assets</i>			
Amount £'000	(703)	6,779	(46)
Percentage of scheme assets	-1%	11%	0%
<i>Experience gains and losses on scheme liabilities</i>			
Amount £'000	82	(206)	(5,570)
Percentage of scheme liabilities	0%	0%	-8%
<i>Total amount recognised in STRGL</i>			
Amount £'000	241	(4,253)	(7,244)
Percentage of scheme liabilities	0%	-5%	-10%

The group also operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £293,000 (2006 £212,000)

Notes to the financial statements

at 31 March 2007

24. Related parties

The company has taken advantage of the exemption available to wholly owned subsidiary undertakings under FRS 8 'Related Party Transactions' and accordingly has not provided details of its transactions with entities forming part of the Hitachi Limited group

25. Post balance sheet events

On 31 December 2006 Hitachi Europe Limited acquired Adélie Chauffage & Climatisation, Air Developpement and Climaspère. These were merged into Hitachi Europe SAS with effect from 1 April 2007.

From financial year 2008, the UK corporation tax rate will reduce from 30% to 28%. This rate change will both affect the amount of future cash tax payments to be made by the company and will also reduce the size of the company's deferred tax asset. Changes to the UK capital allowance regime have also been proposed, the most significant of these changes for the company is the reduction in the rate of capital allowances applicable to plant and machinery expenditure from 25% to 20% per annum on a reducing balance basis from 1 April 2008. The effect on the company of these proposed changes to the UK tax system will be fully reflected in the company's financial statements for the year ending 31 March 2009.

26. Ultimate parent company and parent undertaking of larger group

The only group in which the results of the company are consolidated is that headed by Hitachi Limited, the ultimate parent company, which is incorporated in Japan.

The consolidated financial statements of this group are available to the public and may be obtained from

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