

Hitachi Europe Limited

Report and Financial Statements

31 March 2015

TUESDAY



A4IG7A9V

A21

20/10/2015

#345

COMPANIES HOUSE

Registered No. 02210686

Directors

A.O.K.D Rennert
S J Gomersall
A Shimizu
K Abe
T Ishizuka

Secretary

C W Newton

Auditors

Ernst & Young LLP
The Paragon
Counterslip
Bristol BS1 6BX

Bankers

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

Solicitors

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

Registered Office

Whitebrook Park
Lower Cookham Road
Maidenhead
Berkshire SL6 8YA

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 2015.

Results and dividends

The loss for the year after taxation amounted to £3,889,000 (2014 profit £9,876,000). The directors do not recommend the payment of a dividend (2014: £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 computers, other electronic equipment, and industrial components. The company also acts as provider of shared services to other companies within the Hitachi Group.

Key performance indicators

The key financial performance indicators during the year were:

	2015 £'000	2014 £'000	Change %
Revenue	203,088	183,271	10.8
Gross profit	59,103	54,887	7.7
Operating profit	6,493	9,535	-31.9

The company’s revenue increased by 10.8% from £183,271,000 in 2014 to £203,088,000. This was primarily as a result of an increase in product sales by the Digital Media Group from £98,839,000 in 2014 to £113,186,000 in 2015 and an increase in service revenue from £45,562,000 in 2014 to £50,665,000 in 2015. Service revenue comprises entrustment revenue from Hitachi Ltd for providing Regional Headquarter Services and Shared Service Revenue derived from providing financial, legal, IT and HR services to other Hitachi companies. The reduction in operating profit relates to increased distribution costs that are a direct result of increased staffing relating to new markets in Europe and to the ramping up of activity in relation to the Nuclear Power Business.

Future developments

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

Principal risks and uncertainties

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

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

The company’s operations 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.

Registered No. 02210686

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 by the credit control department. The company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers and other Hitachi companies who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the company's debtors are shown in note 15 to the financial statements.

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

Foreign Currency risk: The company's functional currency is GBP however it has transactional currency exposures which arise from sales and purchases in currencies other than its functional currency, mainly Euro, US Dollar and Japanese Yen, Potential exposures to foreign currency exchange rate movements are monitored through 12 month rolling cash flow forecasts in all currencies in which the company trades. These are reviewed monthly by the finance department and appropriate actions are taken to manage net open foreign currency positions. The company also uses forward exchange contracts to minimise the risk of currency fluctuations (see note 18).

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.

On behalf of the Board



K. Abe
Director

Date: 13/10/15

Registered No. 02210686

Directors' report

The directors present their report and financial statements for the year ended 31 March 2015.

Strategic report

In accordance with Section 414C (1) of the Companies Act 2006, the following information has been included in the Company's strategic report which would otherwise be required by Schedule 7 of the "Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008" to be contained in the directors' report:

- The review of the business for the year
- The principal risks and uncertainties; and
- Future developments of the company

Directors

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

A.O.K-D Rennert	German	
S J Gomersall	British	
K Yamamoto	Japanese	Resigned 30 September 2014
M Hanyu	Japanese	Resigned 31 March 2015
K Sunayama	Japanese	Resigned 31 March 2015
A Shimizu	Japanese	
K Abe	Japanese	
T Ishizuka	Japanese	Appointed 1 April 2015

Directors' qualifying third party indemnity provision

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 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 instruments

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.

Events since the balance sheet date

In May 2015 the company purchased a 5% share in Hitachi Plant Audi Arabia for £198,115 and in July 2015 the Company made a lump sum contribution to the Deferred Benefit Pension Plan of £6,010,000. Both were financed by issuances of share capital to existing shareholders. 6,208,115 shares were issued at par totalling £6,208,115.

Registered No. 02210686

Directors' report (continued)

Going concern

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

Hitachi Europe's forecast results for the next two years are encouraging and are fully supported and funded by Group Treasury facilities. The directors of the company therefore consider Hitachi Europe to be a going concern in accordance with the Financial Reporting Council's guidance entitled "Going Concern and Liquidity Risk".

Issue of share capital

During the year, the company issued 45,175,300 additional shares at a nominal value of £1 each. The proceeds from the share capital issue were used to fund additional investment in Hitachi Rail Europe Ltd.

Research and development

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

Tangible fixed assets

All fixed assets are in on-going use. 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.

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.

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 through the company's Health and Safety Committee. Compliance with the company policy is monitored centrally and an annual health and safety report is produced for the Board.

Health and safety audits and 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.

Registered No. 02210686

Directors' report (continued)

Annual General Meeting

As permitted under the Companies Act 2006, a resolution was passed to dispense with the requirement to hold an Annual General meeting.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

The company has elected to dispense with the annual re-appointment of auditors and in the absence of a specific resolution Ernst & Young LLP will continue in office.

On behalf of the Board



K. Abe
Director

Date: 13/10/15

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 International Financial Reporting Standards (IFRS) as adopted by the European Union 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; and
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is appropriate 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.

Independent auditors' report

to the members of Hitachi Europe Limited

We have audited the financial statements of Hitachi Europe Limited for the year ended 31 March 2015 which comprise the Income Statement, Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow, the Statements of Changes in Equity and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Independent auditors' report (continued)

to the members of Hitachi Europe Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Ernst & Young LLP

Jane Barwell (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

[Date] *19 October 2015*

Registered No. 02210686

Income statement**for the year ended 31 March 2015**

	<i>Notes</i>	<i>2015 £000</i>	<i>2014 £000</i>
Turnover	4		
<i>Continuing operations:</i>			
Sale of goods		151,763	137,102
Rendering of services		50,847	45,562
Rental income	12	478	607
		<u>203,088</u>	<u>183,271</u>
Cost of sales		(143,985)	(128,384)
Gross profit		59,103	54,887
Distribution costs		(20,893)	(15,549)
Administration expenses		(32,201)	(30,884)
Other operating expenses		(298)	(68)
Other operating income		782	1,149
Operating profit	5	6,493	9,535
Dividend income		-	498
Finance and other similar income	6	1,864	1,964
Pension (expense)/income	25	(446)	1,933
Finance and other similar costs	7	(977)	(1,198)
Investment property impairment	12	-	(2,654)
Impairment of investment	13	(11,000)	-
(Loss)/Profit before taxation		(4,066)	10,078
Tax credit/(charge)	10	177	(202)
(Loss)/Profit for the financial year	22	<u>(3,889)</u>	<u>9,876</u>

Registered No. 02210686

Statement of comprehensive income/(loss)

for the year ended 31 March 2015

	<i>Notes</i>	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
(Loss)/profit for the financial year	22	(3,889)	9,876
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial loss in respect of defined benefit pension scheme	25	(272)	(26,471)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net gain/(loss) on forward exchange contracts		49	(430)
Total comprehensive loss for the year, net of tax		<u>(4,112)</u>	<u>(17,025)</u>

Registered No. 02210686

Statement of changes in equity**for the year ended 31 March 2015**

	<i>Notes</i>	<i>Issued capital £000</i>	<i>Cash Flow Hedge £000</i>	<i>Retained losses £000</i>	<i>Total Equity £000</i>
As at 1 April 2014		205,965	(430)	(80,078)	125,457
Loss for the year	22	-	-	(3,889)	(3,889)
Other comprehensive loss	25	-	-	(272)	(272)
Net gains on forward exchange contracts		-	49	-	49
Transfer from OCI to P&L		-	430	(430)	
Total comprehensive income		205,965	49	(84,669)	121,345
Issue of share capital	21	45,176	-	-	45,176
At 31 March 2015		<u>251,141</u>	<u>49</u>	<u>(84,669)</u>	<u>166,521</u>

	<i>Notes</i>	<i>Issued capital £000</i>	<i>Cash Flow Hedge £000</i>	<i>Retained losses £000</i>	<i>Total Equity £000</i>
As at 1 April 2013		168,965	-	(63,483)	105,482
Profit for the year	22	-	-	9,876	9,876
Other comprehensive loss	25	-	-	(26,471)	(26,471)
Net loss on forward exchange contracts		-	(430)	-	(430)
Total comprehensive income		168,965	(430)	(80,078)	88,457
Issue of share capital	21	37,000	-	-	37,000
At 31 March 2014		<u>205,965</u>	<u>(430)</u>	<u>(80,078)</u>	<u>125,457</u>


Registered No. 02210686

Statement of financial position

as at 31 March 2015

	Notes	2015 £000	2014 £000
Assets			
Non-current assets			
Property, plant and equipment	11	15,067	15,194
Intangible assets	11	84	152
Investment properties	12	11,392	11,721
Investments	13	140,803	120,422
Other non-current financial assets	17	35,694	17,439
		<u>203,040</u>	<u>164,928</u>
Current assets			
Inventories	14	11,142	9,740
Trade and other receivables	15	46,510	50,053
Prepayments and accrued income		857	617
Other current financial assets	17	210,969	205,203
Corporation tax		354	104
		<u>269,832</u>	<u>265,717</u>
Total assets		<u><u>472,872</u></u>	<u><u>430,645</u></u>
Equity and liabilities			
Equity			
Issued capital	21	251,141	205,965
Other reserves		49	(430)
Retained losses	22	(84,669)	(80,078)
Total equity		<u>166,521</u>	<u>125,457</u>
Non-current liabilities			
Provisions	19	1,237	1,202
Employee benefit liabilities	25	11,706	24,538
		<u>12,943</u>	<u>25,740</u>
Current liabilities			
Bank overdraft	20	14,750	17,354
Trade and other payables	16	58,243	62,536
Other current financial liabilities	17	218,633	197,125
Provisions	19	1,782	2,433
		<u>293,408</u>	<u>279,448</u>
Total liabilities		<u>306,351</u>	<u>305,188</u>
Total equity and liabilities		<u><u>472,872</u></u>	<u><u>430,645</u></u>

Approved by the Board


K. Abe
Director

Date: 13/10/15

Registered No. 02210686

Statement of cash flows**for the year ended 31 March 2015**

	<i>Notes</i>	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
Cash inflow generated by operations	24	5,351	1,330
Income tax received		(73)	(289)
Interest paid		(1,029)	(1,137)
Net cash inflow/(outflow) from operating activities		4,249	(96)
Investing activities			
Dividends received		-	498
Interest received		1,817	1,994
Proceeds from sale of property, plant and equipment		-	16
Purchase of property, plant and equipment	11	(1,243)	(965)
Purchase of Intangible Assets	11	-	(200)
Other investment in subsidiary/associate	13	(31,381)	(37,183)
Proceeds from disposal of a subsidiary/business unit	13	-	191
Net cash used in activities		(30,807)	(35,649)
Financing activities			
(Increase)/decrease in current group loan receivable	17	(5,717)	19,238
Increase/(decrease) in current group loan payable	17	21,508	(41,168)
(Decrease)/Increase in non-current group loan receivable	17	(18,255)	17,561
Issue of capital	22	45,176	37,000
Pension lump sum payment	25	(13,550)	-
Net cash flows from financing activities		29,162	32,631
Net increase/(decrease) in cash and cash equivalents		2,604	(3,114)
Net foreign exchange difference		-	1
Cash and cash equivalents at 1 April		(17,354)	(14,241)
Cash and cash equivalents at 31 March	20	(14,750)	(17,354)

Notes to the financial statements

at 31 March 2015

1. Accounting policies

Corporate information

The financial statements of Hitachi Europe Limited for the year ended 31 March 2015 were authorised for issue in accordance with a resolution of the directors. Hitachi Europe Limited is a limited company incorporated and domiciled in England & Wales. The registered office is located at Whitebrook Park, Lower Cookham Road, Maidenhead SL6 8YA in England.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

The financial statements have been prepared on a going concern and historical cost basis, except for derivative financial instruments that have been measured at fair value. The financial statement are presented in GBP and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

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 Limited, 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 on note 31. Therefore, these financial statements present information about the company and not its group.

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	– 5 to 15 years
Machinery	– 3 to 10 years
Motor vehicles	– 3 years
Tools, furniture and fixtures	– 3-10 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 on the period they are incurred.

Intangibles

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

Computer software	– 3-5 years (straight line)
-------------------	-----------------------------

Investment property

Investment property is made up of property held to earn rentals, and is accounted for using the cost model. Depreciation is provided to write off the costs less the estimated residual value of the property by equal instalments over the 50 years estimated useful economic lives.

Rental income and operating expenses from the investment property are reported within revenue and other expenses respectively.

Notes to the financial statements

at 31 March 2015

1. Accounting policies (continued)

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 annual basis and when there are events or changes in circumstances which indicate that the carrying value may not be recoverable.

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.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rental income

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

Service revenue

Revenue from the provision of shared services is recognised on accrual basis based on the agreed contract value.

Notes to the financial statements

at 31 March 2015

1. Accounting policies (continued)

Revenue recognition (continued)

Interest income

Interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

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 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 of income and expenditure in taxation computations in periods different to those in which they are included in the financial statements.

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

Deferred taxation

Deferred tax is recognised for taxable temporary 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 is not provided on unremitted earnings of overseas subsidiaries where there is no binding commitment to remit these earnings.
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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.

Leasing commitments

All of the company's leases are '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.

Rental income under operating leases is recognised on a straight line basis over the period of the lease.

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.

Notes to the financial statements

at 31 March 2015

1. Accounting policies (continued)

Inventories (continued)

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.

In the income statement in those expense categories consistent with the function of the impaired asset.

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.

Provisions for the expected costs of maintenance are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

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.

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.

Financial instruments

(a) 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 it is acquired principally for the purpose of selling in the near term.

Notes to the financial statements

at 31 March 2015

1. Accounting policies (continued)

Financial instruments (continued)

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.

Derecognition

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
- 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.

(b) 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 assess them for impairment.

(c) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified 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.

Notes to the financial statements

at 31 March 2015

1. Accounting policies (continued)

Financial instruments (continued)

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.

Derecognition

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

(d) 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.

Pension costs

The company operates a number of 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 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 surplus is not recognised on the balance sheet as the scheme closed to accrual on 1 July 2011. 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 25).

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.

Capital

For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise shareholder value.

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowing that define capital structure requirements. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholder, return capital to its shareholder or issue new shares.

Notes to the financial statements

at 31 March 2015

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 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.

Impairment review of investment property

Determining whether the investment property is impaired requires an estimation of the value in use of the property. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the property and a suitable discount rate in order to calculate present value.

3. Standards issued but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IAS 16	Property, Plant and Equipment
IAS 24	Related Party Disclosures

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the company in the future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments; and
- IFRS 15 will impact both the measurement and disclosure of contracts with customers.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Notes to the financial statements

at 31 March 2015

4. Revenue

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

Sales from continuing activities by destination are as follows:

	2015 £000	2014 £000
UK	86,958	56,054
Other Western Europe	69,342	66,149
Eastern Europe	38	16,475
The Near and Middle East	7,145	6,106
Africa	840	2,066
Japan	32,983	27,752
Russia	84	3,568
Rest of the world	5,698	5,101
	<u>203,088</u>	<u>183,271</u>

During the year all revenue was derived from the sale of goods and services for cash. No revenue was recognised for barter or exchange transactions (2014 – £nil).

5. Operating profit

	2015 £000	2014 £000
Included in distribution and administrative expenses:		
Auditors' remuneration – audit of the financial statements	234	234
Depreciation – tangible assets	1,108	1,034
Depreciation – intangible assets	68	56
Depreciation – investment property	329	329
Rentals payable under operating leases	1,168	774
Research and development expenditure	366	654
Net FX gain/(loss)	522	(700)
Included in other income:		
Sale of tax losses	588	779

6. Finance and other similar income

	2015 £000	2014 £000
Interest income	492	406
Interest income on a loan to an associate	1,372	1,558
	<u>1,864</u>	<u>1,964</u>

Notes to the financial statements

at 31 March 2015

7. Finance and other similar costs

	2015 £000	2014 £000
Interest on debts and borrowings	343	431
Interest payable to group companies	634	767
	<u>977</u>	<u>1,198</u>

8. Directors' emoluments

	2015 £000	2014 £000
Directors' emoluments	1,482	1,435
Directors' defined contributions (pension)	-	5
	<u>1,482</u>	<u>1,440</u>

The bonus elements included within the emoluments were £167,183 (2014 – £305,453).

The emoluments of the highest paid director were £707,418 (2014 – £570,290).

There were no pension contributions paid relating to the highest paid director.

No directors accrued benefits to a defined benefit pension scheme in Japan (2014 – two).

No director is accruing benefits as a member of the Hitachi UK Pension Scheme (2014 – nil).

9. Employee benefit expenses

	2015 £000	2014 £000
Wages and salaries	24,235	22,604
Social security costs	1,649	1,439
Other pension costs	836	768
	<u>26,720</u>	<u>24,811</u>

Pension costs of £836,000 (2014 – £ 768,000) are in respect of the defined contribution scheme.

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

	2015 No.	2014 No.
Sales	111	75
Administration	151	164
	<u>262</u>	<u>239</u>

Notes to the financial statements

at 31 March 2015

10. Tax

(a) Tax on profit on ordinary activities

The Tax charge is made up as follows:

	2015 £000	2014 £000
UK Corporation tax at 21% (2014: 23%)	-	220
Adjustment in respect of previous year	(209)	(33)
	(209)	187
Foreign tax	32	13
Adjustment in respect of prior period	-	2
	32	15
Total current tax (note 10 (b))	(177)	202
Deferred tax:		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Tax on ordinary activities	(177)	202

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2014 – lower) than the standard rate of corporation tax in the UK of 21% (2014 – 23%). The differences are reconciled below:

	2015 £000	2014 £000
(Loss)/Profit on ordinary activities before tax	(4,066)	10,078
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%)	(854)	2,318
Effects of:		
Expenses not deductible for tax purposes	2,410	720
Non-taxable income	(123)	(238)
Accelerated capital allowances	106	32
Movement in short term timing differences	(2,569)	(1,880)
Tax loss not relieved	1,030	(733)
Adjustments in respect of previous periods	(209)	(31)
Difference in overseas tax rates	32	14
Total current tax (note 10(a))	(177)	202

Notes to the financial statements

at 31 March 2015

10. Tax (continued)

(c) Deferred tax

Analysis of deferred tax

	<i>Unrecognized</i>	
	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>
Depreciation and capital allowances	824	271
Tax losses available	15,301	16,169
Other timing differences	2,469	5,161
Deferred tax asset	<u>18,594</u>	<u>21,601</u>

A deferred tax asset of £18,594,000 (2014 – £21,601,000) 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

The UK government enacted a rate reduction to 20% on 26 March 2015 and it is effective from 1 April 2015.

The effect of the proposed reduction in the corporate tax rate to 20% will be to reduce the unrecognised deferred tax asset by approximately £886,000.

Notes to the financial statements

at 31 March 2015

11. Tangible and intangible fixed assets

	<i>Land and buildings</i> £000	<i>Freehold property</i> £000	<i>Structures</i> £000	<i>Plant and machinery</i> £000	<i>Motor Vehicles</i> £000	<i>Tools, furniture & fixings</i> £000	<i>Total tangible assets</i> £000
Cost:							
At 1 April 2013	5,880	17,199	493	6,071	6	455	30,104
Additions	-	-	9	944	-	12	965
Disposals	-	-	-	(473)	(6)	(31)	(510)
At 31 March 2014	5,880	17,199	502	6,542	-	436	30,559
Additions	-	1	466	609	-	167	1,243
Disposals	-	-	(65)	(1,254)	-	(48)	(1,367)
At 31 March 2015	5,880	17,200	903	5,897	-	555	30,435
Depreciation and impairment:							
At 1 April 2013	-	8,953	434	5,092	6	337	14,822
Depreciation charge for the year	-	316	9	659	-	50	1,034
Disposals	-	-	-	(460)	(6)	(25)	(491)
At 31 March 2014	-	9,269	443	5,291	-	362	15,365
Depreciation charge for the year	-	316	32	708	-	52	1,108
Disposals	-	-	(17)	(1,059)	-	(29)	(1,105)
At 31 March 2015	-	9,585	458	4,940	-	385	15,368
Net book value:							
At 1 April 2014	5,880	7,930	59	1,251	-	74	15,194
At 31 March 2015	5,880	7,615	445	957	-	170	15,067

Notes to the financial statements

at 31 March 2015

11. Tangible and intangible fixed assets (continued)

Intangible assets

	<i>Software intangibles £000</i>
Cost:	
At 1 April 2013	1,153
Additions	200
Disposals	(7)
At 31 March 2014	1,346
Additions	-
Disposals	-
At 31 March 2015	1,346
Depreciation:	
At 1 April 2013	1,145
Depreciation charge for the year	56
Disposals	(7)
At 31 March 2014	1,194
Depreciation charge for the year	68
Disposals	-
At 31 March 2015	1,262
Net book value:	
At 1 April 2014	152
At 31 March 2015	84

Intangible assets comprise of computer software.

No impairment charge was recognised in the income statement in 2015 following management's Fixed Asset impairment review on 31 March 2015 (2014 – nil).

The company has no restrictions on title, no plant and equipment is pledged as security for liabilities.

12. Investment property

Investment property relates to a portion of the company's property which is being rented out to other companies within the Hitachi Group under operating lease arrangements. The company has elected to value its investment property at cost less provision for depreciation and impairment in accordance with IAS 40.

	<i>2015 £000</i>	<i>2014 £000</i>
Opening balance at 1 April	11,721	14,704
Depreciation	(329)	(329)
Impairment provision	-	(2,654)
Closing balance at 31 March	11,392	11,721
Rental income derived from investment properties	478	607
Direct operating expenses (including repairs and maintenance)	395	438

Notes to the financial statements

at 31 March 2015

12. Investment property (continued)

Rental expected to be received under operating leases are as follows:

	<i>£000</i>
Within one year	472
In two to five years	1,910
In over five years	472

All property rentals are under operating leases which are cancellable within one year.

The company has no restrictions on the realisability of its investment property and no contractual obligations to either purchase, construct or develop the property or for repairs, maintenance and enhancements.

The fair value of the property at 31 March 2015 is estimated to be between £8,837,000 and £13,143,000. This valuation is determined using discounted future cash flow method with a discount rate of 2.4%. An impairment provision has been booked by the company in the prior year, based on the assumption that the current vacant space will remain vacant for a year and only 25% of the current vacant space will be let out in the future.

The company has no intention to realise its investment property in the foreseeable future.

13. Investment in subsidiaries and associates

	<i>Interests in subsidiary undertakings £000</i>	<i>Other investments £000</i>	<i>Total £000</i>
Cost:			
At 31 March 2014	299,517	2,254	301,771
Additions	31,381	-	31,381
Disposal	(4,929)	-	(4,929)
At 31 March 2015	325,969	2,254	328,223
Provisions:			
At 31 March 2014	179,099	2,250	181,349
Additions	11,000	-	11,000
Disposal	(4,929)	-	(4,929)
At 31 March 2015	185,170	2,250	187,420
Net book value:			
At 31 March 2014	120,418	4	120,422
At 31 March 2015	140,799	4	140,803

The additions in investment in subsidiaries and associates relates to an increase in the share capital investment in Hitachi Rail Europe Ltd of £28,000,000 to enable it to continue with its expansion, and Hitachi Europe Srl of £3,638,693 for the purchase of Valcom Srl.

The disposal in the year relates to the writing off of the fully provided goodwill relating to the purchase of distributors in France. This has been written off following the sale of the Airconditioning business to Hitachi Air Conditioning Europe SAS.

Notes to the financial statements

at 31 March 2015

13. Investment in subsidiaries and associates (continued)

In the year ended 31 March 2015 an impairment assessment was carried out on the investments held by the company at the balance sheet date. This assessment compared the recoverable amount for the investments, as determined from a value in use calculation, with the carrying values. This exercise has resulted in an impairment charge of £11,000,000 on the Company's investment in Hitachi Europe SAS (to a written down value of £11,867,266) being recognised in the year as an exceptional item. 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 organic revenue growth rates, current market trends, business mix, cost structure and other expectations about the anticipated short-term and long-term operating results of the business.

Other investments comprise an investment in an associated company Hitachi Automotive Products Europe, which is fully provided for, and an investment in The Randpark Club, in South Africa.

The principal operating companies in which the company's interest direct or indirect is more than 20% are as follows:

	<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 electronic products and air conditioning equipment
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
Hitachi Europe SA	Spain	100% ordinary	Marketing of consumer electronic products and air conditioning equipment
Hitachi Rail Europe Ltd	England and Wales	100% ordinary	Supply and maintenance of trains
The Railway Engineering Company Limited	England and Wales	100% ordinary	Consultancy services to the rail industry
Hitachi Visaginas Investment Limited	England and Wales	100% ordinary	Nuclear power plant project
Hitachi Power Europe GmbH	Germany	26% ordinary	Provision of Power Generation Engineering
Hitachi Automotive Systems UK Limited	England & Wales	25% ordinary	Manufacture of Automotive Products
Hitachi Airconditioning Europe SAS*	France	100% ordinary	Marketing of air conditioning products
Valcom Srl *	Italy	100% ordinary	Engineering company
Hitachi Rail Italy S.p.A*	Italy	100% ordinary	Engineering company
Agility Trains West (Holdings) Limited*	England & Wales	70% ordinary	Supply and maintenance of trains

Notes to the financial statements

at 31 March 2015

13. Investment in subsidiaries and associates (continued)

	<i>Country of registration or incorporation</i>	<i>Class and percentage of shares held</i>	<i>Principal activities</i>
Agility Trains East (Holdings) Limited*	England & Wales	70% ordinary	Supply and maintenance of trains
Agility Trains West (Midco) Limited*	England & Wales	100% ordinary	Supply and maintenance of trains
Agility Trains East (Midco) Limited*	England & Wales	100% ordinary	Supply and maintenance of trains
Agility Trains West Limited*	England & Wales	100% ordinary	Supply and maintenance of trains
Agility Trains East Limited*	England & Wales	100% ordinary	Supply and maintenance of trains
Hitachi Visaginas Investment UAB*	Lithuania	100% ordinary	Nuclear power plant project
Hitachi Airconditioning Products Europe SA*	Spain	100% ordinary	Manufacture of air conditioning products
Hitachi Drives & Automation GmbH*	Germany	51% ordinary	Marketing of industrial inverters
Hitachi Drives & Automation (Italy) Srl*	Italy	42.49% ordinary	Marketing of industrial inverters
Hiflex Automatiseringstechniek BV*	Netherlands	30% ordinary	Supplier of industrial automation

* held indirectly

14. Inventory

	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>
Finished goods and goods for resale	10,845	7,341
Inventory in transit	2,032	4,543
Inventory provision	(1,735)	(2,144)
	<u>11,142</u>	<u>9,740</u>

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

Notes to the financial statements

at 31 March 2015

15. Trade and other receivables

	2015 £000	2014 £000
Trade receivables	27,103	32,377
Amounts owed by group undertakings	3,137	3,113
Other taxes and social security	2,532	1,399
Non trade receivables	10,278	10,159
Other receivables	3,460	3,005
	<u>46,510</u>	<u>50,053</u>

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

See below for the movements in the provision for impairment of receivables:

	<i>Individually impaired £000</i>	<i>Collectively impaired £000</i>	<i>Total £000</i>
At 1 April 2013	(1,533)	(2)	(1,535)
Charge/(transfer) for the year	193	(36)	157
Utilised	520	1	521
Foreign exchange adjustment	2	-	2
At 31 March 2014	<u>(818)</u>	<u>(37)</u>	<u>(855)</u>
Charge/(transfer) for the year	11	(15)	(4)
Utilised	10	-	10
Foreign exchange adjustment	87	-	87
At 31 March 2015	<u>(710)</u>	<u>(52)</u>	<u>(762)</u>

As at 31 March, the ageing analysis of trade receivables is as follows:

	<i>Neither past due nor impaired</i>			<i>Past due but not impaired</i>		
	<i>Total</i>	<i>due nor</i>	<i>< 30</i>	<i>30-60</i>	<i>61-90</i>	<i>> 91</i>
	<i>£000</i>	<i>£000</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>Days</i>
			<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
2015	27,865	23,631	3,547	79	2	606
2014	33,233	30,944	1,548	184	(1)	558

The carrying amounts of the trade and other receivables are a reasonable approximation of fair value.

Trade receivables which are neither past due nor impaired are considered to be fully recoverable.

Notes to the financial statements

at 31 March 2015

16. Trade and other payables

	2015 £000	2014 £000
Trade payables – third party	14,698	19,959
Amounts owed to group undertakings	14,360	18,418
Accruals	23,219	20,641
Other taxes and social security costs	712	-
Other payables	5,254	3,518
	<u>58,243</u>	<u>62,536</u>

The carrying amounts of the trade and other payables are a reasonable approximation of fair value.

The standard supplier credit terms are between 30-60 days.

17. Other financial assets and financial liabilities

Other financial assets are analysed as follows:

	2015 £000	2014 £000
Financial assets at fair value through profit or loss:		
Foreign currency forward contracts	49	-
Total assets at fair value through profit or loss	<u>49</u>	<u>-</u>
Loan notes, owed by group undertakings:		
due within one year	210,920	205,203
due within 1-2 years	35,694	17,439
Total other financial assets	<u>246,663</u>	<u>222,642</u>

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

	2015 £000	2014 £000
Financial liabilities at fair value through profit or loss:		
Derivatives not designated as hedges		
Foreign currency forward contracts	-	430
Total liabilities at fair value through profit or loss	<u>-</u>	<u>430</u>
Current interest-bearing loans:		
Wholly repayable within one year	218,633	196,695
Current interest-bearing loans	218,633	196,695
Total other financial liabilities	<u>218,633</u>	<u>197,125</u>

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

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

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

Notes to the financial statements

at 31 March 2015

17. Other financial assets and financial liabilities (continued)

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

Derivatives not designated as hedging instruments

The company purchases interest rate swaps to manage interest rate risk volatility/forward foreign currency swaps to hedge currency exposure on USD. It is the company's policy that no trading in derivatives for speculative purposes shall be undertaken. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transaction.

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>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Euro	122,841	213,861	121,601	196,501
USD	39,540	28,755	36,367	21,871
JPY	3,697	4,110	4,781	4,094
Other	(818)	(2,752)	282	561

18. Financial risk management objectives and policies

Foreign currency sensitivity

The following tables demonstrate 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>Change in rate</i>	<i>Effect on profit before tax</i>
			<i>£000</i>
2015	EUR	+5%	59
		-5%	(65)
	USD	+5%	151
		-5%	(167)
	JPY	+5%	1,141
		-5%	57

Notes to the financial statements

at 31 March 2015

18. Financial risk management objectives and policies (continued)

		Change in rate	Effect on profit before tax £000
2014	EUR	+5%	827
		-5%	-914
	USD	+5%	1,369
		-5%	-1,513
	JPY	+5%	1
		-5%	-1

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 15.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings as assigned by international ratings services. The carrying value of each class of financial assets is disclosed in Note 17. The company does not hold collateral as security. The company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent market. credit-rating agencies.

Liquidity risk

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

Notes to the financial statements

at 31 March 2015

19. Provisions for liabilities

	<i>Product guarantee</i> £000	<i>Other</i> £000	<i>Total</i> £000
At 1 April 2014	1,729	1,906	3,635
Utilised during the year	(8,215)	(369)	(8,584)
Unused amount reversed during the year	(318)	-	(318)
Additional amounts provided	8,253	33	8,286
At 31 March 2014	<u>1,449</u>	<u>1,570</u>	<u>3,019</u>
Current	1,449	333	1,782
Non-current	-	1,237	1,237

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. The impact of discounting on non-current provision is negligible.

20. Cash and overdrafts

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 March:

	<i>2015</i> £000	<i>2014</i> £000
Cash at banks and on hand	-	-
Bank overdrafts	<u>14,750</u>	<u>17,354</u>
	<u>14,750</u>	<u>17,354</u>

Bank overdrafts are repayable on demand and bear an interest rate of LIBOR +4%.

21. Authorised and issued share capital

<i>Authorised, Allotted, called up and fully paid</i>	<i>No.</i>	<i>2015</i> £000	<i>No.</i>	<i>2014</i> £000
Ordinary shares of £1 each	251,140,506	<u>251,141</u>	205,965,000	<u>205,965</u>
			<i>2015</i> £000	<i>2014</i> £000
Shares classified as shareholders' funds		<u>251,141</u>	<u>205,965</u>	

On 28 April 2014 3,625,300 ordinary shares at a nominal value of £1 each were issued at par for cash. On 26 June 2014 13,550,000 ordinary shares at a nominal value of £1 each were issued at par for cash. On 16 January 2015 28,000,000 shares at a nominal value of £1 each were issued for cash.

Notes to the financial statements

at 31 March 2015

22. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital £000</i>	<i>Other Reserves</i>	<i>Profit and loss account £000</i>	<i>Total shareholders', funds £00</i>
At 31 March 2013	168,965	-	(63,483)	105,482
Profit for the year	-	-	9,876	9,876
Shares issued in year	37,000	-	-	37,000
Actuarial loss on defined benefit pension scheme	-	-	(26,471)	(26,471)
Net loss on forward exchange contracts		(430)		(430)
At 31 March 2014	205,965	(430)	(80,078)	125,457
(Loss)/profit for the year	-	-	(3,889)	(3,889)
Shares issued in year	45,176	-	-	45,176
Actuarial loss on defined benefit pension scheme	-	-	(272)	(272)
Net gain on forward exchange contracts	-	49	-	49
Transfer from OCI to P&L	-	430	(430)	-
At 31 March 2015	251,141	49	(84,669)	166,521

23. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £4,341,942 (2014 – £1,695,431). These relate to committed purchase orders at the year end date for goods and services to be provided in the next financial year.

Notes to the financial statements

at 31 March 2015

24. Notes to the cash flow statement

		2015	2014
	Notes	£000	£000
(Loss)/profit for the year		(3,889)	9,876
Adjustments to reconcile profit for the year to net cash from operating activities:			
Finance and other similar costs	7	977	1,198
Income tax (credit)/charge	10	(177)	202
Depreciation charge on tangible fixed assets	11	1,108	1,034
Depreciation charge on intangible fixed assets	11	68	56
Depreciation charge on investment property	12	329	329
Impairment provision on investment property	12	-	2,654
Impairment provision on investments	13	11,000	
Finance and other similar income	6	(1,864)	(1,964)
Transfer from OCI to P&L		(430)	-
Loss on disposal of property, plant and equipment		261	3
Dividend income		-	(498)
Decrease in provisions	19	(616)	(1,690)
Adjustment for pension funding		446	(1,933)
Operating cash flows before movements in working capital		7,213	9,267
(Increase)/decrease in inventory		(1,402)	3,329
Decrease/(increase) in trade and other receivables		3,590	(19,889)
Increase in prepayment		(239)	(34)
(Decrease)/increase in trade and other payable		(3,811)	8,657
Movement in working capital		(1,862)	(7,937)
Cash generated by operations		5,351	1,330

The Company's borrowing limit is set at £10,000,000 by Hitachi Limited which is used for general corporate and working capital purposes.

25. Pensions

Defined contribution scheme

The company operates a defined contribution pension scheme. Company contributions to the scheme in the year to 31 March 2015 were £835,527 (2014 – £768,229). There were no unpaid amounts at 31 March 2015 (2014 – £nil).

Defined benefit plan

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

Notes to the financial statements

at 31 March 2015

25. Pensions (continued)

IAS 19R

The results from the actuarial valuation of the Scheme as at 1 April 2013 were updated to 31 March 2015 by a qualified actuary, using a set of assumptions consistent with those required under IAS 19R.

Change in Defined Benefits Obligation (DBO):

	<i>Defined Benefits Pensions</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>
Benefit obligations, beginning of year	133,570	132,218
Interest cost	5,775	5,651
Actuarial losses arising from changes in assumptions	26,505	4,428
Experience (gain)	-	(1,313)
Gross benefits paid	(3,347)	(4,864)
Past service (gain)	-	(1,585)
Liabilities assumed in a business combination	846	-
Settlements	-	(965)
Benefit obligation, end of year	<u>163,349</u>	<u>133,570</u>
Benefit obligation – funded plans	163,349	133,570
– unfunded plans	-	-
	163,349	133,570

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

	<i>31 March</i>	<i>31 March</i>
	<i>2015</i>	<i>2014</i>
Discount rate	3.35%	4.35%
Rate of salary increase	n/a	n/a
Rate of retail price inflation	3.30%	3.55%
Rate of consumer price inflation	2.30%	2.55%
Rate of pension increases in payment (weighted average)	2.25%	2.40%
Post-retirement mortality assumption:		
Base table	95% of SAPS	95% of SAPS
Projections for future improvements	CMI 2012	CMI 2012
	Projections,	Projections,
	long term	long term
	trend rate of	trend rate of
	1.50% p.a.,	1.50% p.a.,
	year of birth	year of birth
	projections	projections

Notes to the financial statements

at 31 March 2015

25. Pensions (continued)

Risks

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

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

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 Assets/(Liabilities)</i> £000
Increase discount rate by 0.5%	(15,880)
Increase inflation rate by 0.5%	11,750
Life expectancies increase by 1 year	4,170

Change in Plan Assets

	<i>31 March</i> <i>2015</i> £000	<i>31 March</i> <i>2014</i> £000
Fair value of plan assets, beginning of year	142,139	148,676
Interest income	6,597	6,436
Employer contribution	13,550	-
Actuarial (gain/loss)	27,445	(6,707)
Administration expenses	(321)	(348)
Gross benefits paid	(3,347)	(4,864)
Settlements	-	(1,054)
Assets assumed in a business combination	1,332	-
Fair value of plan assets, end of year	<u>187,395</u>	<u>142,139</u>

Notes to the financial statements

at 31 March 2015

25. Pensions (continued)

Plan Asset Allocation, End of Year

	<i>31 March 2015 £000</i>	<i>31 March 2014 £000</i>
Equity securities	35,369	29,002
Indexed-linked Gilts	104,317	73,774
Corporate Bonds	46,625	38,075
Other	1,084	1,288
Total	<u>187,395</u>	<u>142,139</u>

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:

	<i>31 March 2015 £000</i>	<i>31 March 2014 £000</i>
Fair value of plan assets	187,395	142,139
Benefit obligations	<u>(163,349)</u>	<u>(133,570)</u>
Funded status	24,046	8,569
Unrecognised surplus	<u>(35,752)</u>	<u>(33,107)</u>
Net amount recognised, end of year	<u>(11,706)</u>	<u>(24,538)</u>

Amounts recognised in the balance sheet consist of:

	<i>31 March 2015 £000</i>	<i>31 March 2014 £000</i>
Noncurrent asset	24,046	8,569
Unrecognised surplus	<u>(35,752)</u>	<u>(33,107)</u>
	<u>(11,706)</u>	<u>(24,538)</u>

Experience adjustments

	<i>31 March 2015 £000</i>	<i>31 March 2014 £000</i>
<i>DB Pension Plan</i>		
Fair value of assets, end of year	187,395	142,139
DBO, end of year	<u>(163,349)</u>	<u>(133,570)</u>
Funded status	24,046	8,569
Experience adjustment on DBO (gain)/loss	-	(1,313)
Experience adjustment on plan assets (gain)/loss	27,445	(6,707)

Notes to the financial statements

at 31 March 2015

25. Pensions (continued)

Expected employer contributions

The Company does not expect to make any contributions to the Scheme in 2016.

Components of benefit cost recognised in income statement

	31 March 2015 £000	31 March 2014 £000
Net interest cost/(credit) on net defined assets	611	(785)
Administration expenses	321	348
Past service credit recognised	(486)	(1,585)
Settlement loss	-	89
Net benefit cost/(credit) in income statement	446	(1,933)
Actual return on plan assets	27,742	(271)

Amounts recognised in OCI

	31 March 2015	31 March 2014
Actuarial losses arising from changes in assumptions	26,505	4,428
Experience gain on liabilities	-	(1,313)
Actuarial (gain)/loss on assets	(27,445)	6,707
Effect of asset ceiling	1,212	16,649
Loss recognised in OCI	272	26,471
Cumulative actuarial loss recognised in OCI	50,358	50,086

Weighted-average assumptions used to determine benefit cost at beginning of year:

	01-Apr-15	01-Apr-14
Discount rate	3.30%	4.35%

Projected Profit and Loss Account for 31 March 2016

	31 March 2016 £000	31 March 2015 £000
Component of benefit cost recognised in profit and loss:		
Current service cost	-	-
Net interest on net DB asset/(liability)	242	(373)
Administration Expenses	321	348
Past service (credit) recognised	-	-
Settlement loss	-	-
Net cost/(credit) in profit and loss	563	(25)

Notes to the financial statements

at 31 March 2015

26. Other financial commitments

At 31 March 2015 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Vehicles</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases:				
Within one year	568	119	175	99
In two to five years	1,636	237	266	177
In over five years	1,378	-	-	-

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 £6,980,165 at 31 March 2015 (2014 – £4,122,288). In addition, the company had import letters of credit in place with the Bank of Tokyo-Mitsubishi totalling £3,420,968 at 31 March 2015.

28. Post balance sheet events

In May 2015 the company purchased a 5% share in Hitachi Plant Audi Arabia and in July 2015 the Company made a lump sum contribution to the Deferred Benefit Pension Plan of £6,010,000. Both were financed by issuances of share capital to existing shareholders. 6,208,115 shares were issued at par totalling £6,208,115.

29. Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the financial year:

		<i>Sales to related parties*</i>	<i>Purchases from related parties*</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Entity with significant influence over the company and subsidiaries:</i>					
Hitachi Limited	2015	35,345	2,384	5,174	1,405
	2014	25,228	5,965	3,669	1,199
Subsidiaries	2015	11,069	8,031	471	750
	2014	9,908	24,336	858	6,287
Other related parties	2015	30,025	84,007	4,116	17,293
	2014	22,339	61,957	4,819	17,477

* Sales and purchases to related parties are stated gross of VAT.

Notes to the financial statements

at 31 March 2015

29. Related party transactions (continued)

Loans from/to related parties:

<i>Loans from/to related parties:</i>		<i>Interest received £000</i>	<i>Interest paid £000</i>
Other related parties	2015	1,372	634
	2014	1,558	767

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding loan balances at the year-end are unsecured and carry interest rate of LIBOR +40 basis points. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2015, the company has not recorded any impairment of receivables relating to amounts owed by related parties (2014: £nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

30. Key management compensation

There are no key management personnel, other than the directors, who have the authority and responsibility for directing and controlling the activities of the company.

31. The Ultimate Parent

The immediate parent undertaking is Hitachi Limited.

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

Hitachi Limited
6-6, Marunouchi 1 - chome
Chiyoda-Ku
Tokyo 100-8280
Japan