

Hitachi Rail Limited

Report and Financial Statements

31 March 2025

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COMPANIES HOUSE

Directors

G Marino
J Brewin (resigned 21 May 2024)
L D'Aquila
A Dormer (appointed 21 May 2024 and resigned 12 March 2025)
A Hirao (appointed 21 May 2024)
C Andi (appointed 21 May 2024)
G Kandiah (appointed 21 May 2024 and resigned 12 March 2025)
K Masai (appointed 21 May 2024)
L Dellagiovanna (appointed 21 May 2024)
M Valverde (appointed 21 May 2024)
M Iwasaki (appointed 21 May 2024)
W Po (appointed 21 May 2024)

Secretary

C Deans (resigned 21 May 2024)
S McGurk (appointed 21 May 2024)

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

Citibank
Canada Square
Canary Wharf
London E14 5LB

Registered Office

7th Floor, One New Ludgate,
60 Ludgate Hill,
London EC4M 7AW

Strategic report

The Directors of Hitachi Rail Limited (“the Company”) present their strategic report for the year ended 31 March 2025.

Principal activities and review of the business

The Company’s principal activities during the year continue to be the provision of total railway system solutions including the manufacture and supply of rolling stock, railway maintenance, traffic management systems and related services. The Company also acts as an investment holding company, receiving dividends from its subsidiaries.

The Company continues to explore opportunities for growth and development through bidding for new projects and potential acquisitions.

The Directors consider the following indicators to be the key measures of the Company’s financial performance:

	2025	2024	Change	Change
	£000	£000	£000	%
Revenue	748,437	725,125	23,312	3%
Profit before taxation	58,331	63,669	(5,338)	-8%
Operating cash flow	(121,791)	(29,223)	(92,568)	-317%

The Company’s revenue increased from £725,125,000 in the financial year ended 31 March 2024 to £748,437,000 in the financial year ended 31 March 2025 due to higher revenues in Operations, Service and Maintenance (OS&M) from maintenance contract mobilisation activities.

The Company’s profit before tax reduced from £63,669,000 in the financial year ended 31 March 2024 to £58,331,000 in the financial year ended 31 March 2025. The decrease in profit before tax is mainly the result of impairment charge on the AT300 SXR platform development due to a change in assumptions regarding market opportunities for this product in the year ending 31 March 2025 (as per note 12) and higher acquisition costs (as per note 5) offset by higher dividend receipts (as per note 8).

The Company’s negative operating cash outflow of £121,791,000 in the year ended 31 March 2025 (negative £29,223,000 in the year ended 31 March 2024) was due to an increase in working capital for rolling stock projects.

The Company is investing so it can adapt to a changing market. This includes a greater strategic focus on growth opportunities in digital and green mobility, supported by successfully trialling digital infrastructure monitoring solutions on the UK rail network and developing pioneering battery train technology.

On 31 May 2024, the Company acquired the entire share capital of Centelec UK Limited from Thales SA for the acquisition of the Thales’ Ground Transportation Systems (GTS) business. In January 2025, the company agreed to acquire the digital rail monitoring business Omnicom from Balfour Beatty. These acquisitions strengthen the strategic focus on digitalisation and sustainability transformation.

Principal risks and uncertainties

The principal risks of the business are associated with the delivery of rolling stock manufacturing and train maintenance projects. There are a number of performance obligations to be met within these contracts and failure to meet these obligations could give rise to a significant financial impact on the business. In order to mitigate this risk, the Company has introduced stringent controls, policies and procedures to ensure that contractual obligations are met in full.

The Company has access to an uncommitted £415,000,000 Hitachi Group Treasury loan facility and total cash available to the Company including the loan facility is in excess of forecast cash requirements for the year. The Company’s ultimate parent Hitachi, Ltd. has also provided a letter of support to 30 June 2026.

Strategic report (continued)

Principal risks and uncertainties (continued)

The Company is subject to numerous laws, regulations and standards covering a range of matters including safety procedures, equipment specifications, environmental procedures, employment, insurance coverage and other operating issues and considerations. Non-compliance with any changes made to applicable laws, regulations or standards could adversely impact the Company's operations and financial performance. To mitigate this risk, the Company closely monitors the impact of changes in the regulatory and legal environment, and ensures it is positioned to respond to any proposed changes.

Additionally, the Company's operations expose it to a variety of financial risks that include credit risk, foreign currency risk and liquidity risk. The Company's financial risk management objectives and policies are disclosed in note 21 to the financial statements.

Credit risk: The Company's policies are aimed at reducing any loss that could arise from the risk that one party to a financial transaction would cause a financial loss for that other party by failing to discharge an obligation. Deferred terms are only granted to customers 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.

Foreign Currency Risk: The Company's functional currency is GBP. However, it has transactional exposure arising from purchases in currencies other than its functional currency, mainly Euro, Japanese Yen and US Dollar. Potential exposure to foreign currency exchange rate movements are monitored through cash flow forecasts. The Company uses forward contracts to minimise the risk of currency fluctuations.

Liquidity risk: The Company aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets. The Company also manages liquidity risk via access to Hitachi group treasury facilities and injection of capital.

Climate-related financial disclosures

Governance

Management's role in assessing and managing climate-related risks and opportunities:

In April 2024, Hitachi Rail launched the UK Sustainability Committee (UKSC). UKSC is a cross functional committee led by a member of the UK Executive. UKSC supports the Company's climate related activities, reports key issues to the Board via the UK Business Operating Committee (UKBOC), reports regional climate risks and opportunities to the RSBU global Enterprise Risk Management (ERM) function. The UK ERM function supports the region in identification and assessment of risks and opportunities, and supports the definition and review of controls, including those in relation to the impact of climate change on the business. The Global ERM function provides periodic updates on risk assessment results to the global Hitachi Rail Audit, Risks and Control Committee.

Board oversight:

The Company's Board is responsible for the provision of strategic guidance and decision making in relation to climate related issues in the business to support the Company's sustainability goals. The UKBOC is responsible for the regional decision making to support the Company in achieving the sustainability goals for the region and the UKSC steers discussion of climate change as a rolling agenda item at every quarterly UKBOC and quarterly Company Board meeting and resources are made available to close out key issues raised.

Climate Related Risks and Opportunities

This disclosure aligns to the global RSBU ERM Framework which is employed throughout the organisation. The Company has validated potential and actual impacts of climate-related risks and opportunities previously identified through collaboration with key UK and global supporting functions. These have direct impact on the UK business, strategy, and financial planning and are summarised in Table 1.1.

Strategic report (continued)

Climate-related financial disclosures (continued)

Climate Related Risks and Opportunities (continued)

As a consideration from the previous disclosure, the risk assessment considers both inherent (unmitigated) and residual (mitigated) risks conducted in line with the risk rating criteria of the Company's ERM Framework summarised in Table 1.3. Financial impact is a new criterion use to score risk impact and likelihood for items considered for scenario analysis. An assessment of each risk and opportunity generated a score based on impact on the business and the associated likelihood for it to occur. For risks and opportunities where scores fluctuate depending on application, multiple scenarios are provided and an average value is taken.

Table 1.2 shows how the risk trend is likely to change across various time horizons. The assessment was informed by time horizons adopted by the Company's sole shareholder, Hitachi, Ltd. as set out in Table 1.4.

Consideration of residual risk values, multiple risk scenarios, mitigation activities and use of average values are included to produce more representative impact and likelihood values.

Table 1.1 Risks and Opportunities and Scenario Analysis

#	Risk Category	Description	Risk Scenarios	Time Horizon	Residual		Recommended for Scenario Analysis	Scenarios Examined	Possible Change in Risk		
					Impact	Likelihood			2027	2030	2050
Risks											
1	Physical - Acute	Extreme weather events resulting in increased costs, insurance/ liabilities and business disruption.	Extreme weather conditions (e.g. heatwave, snow) disrupting ability to meet contractual requirements across Vehicles BU	Short	1	4	✓	2-3°C	→	↗	↗
			Natural disasters (e.g. floods, fires) - disrupting key supply chains	Short	1	4		>4°C	↗	↑	↑
2	Physical - Chronic	Long term variability in weather patterns resulting in supply chain disruption, and profitability loss from damage to facilities.	Rising average temperatures – causing damage to rail infrastructure on site	Medium	2	3	✓	2-3°C	→	↗	↗
			Scarc water resources – disrupting local water requirements	Short	2	2		>4°C	↗	↑	↑
3	Transition - Technology	Slow adoption of low carbon technology resulting in adverse effect on profits.	Failure to implement alternative fuel modes of units/ facilities (not just product). Failure to decarbonise our facilities.	Medium	2	2	✓	1.5°C	→	↑	↑
								2-3°C	→	→	↑
4	Transition - Market	Interrupted access to green metals and minerals resulting in leading to a delay in the green transition, erosion of market share, and increased production and operational costs.	Industry wide lack of approved materials for use in unit design.	Medium	2	3	X				

Strategic report (continued)

Climate-related financial disclosures (continued)

Climate Related Risks and Opportunities (continued)

Table 1.1 Risks and Opportunities and Scenario Analysis (continued)

#	Risk Category	Description	Risk Scenarios	Time Horizon	Residual		Recommended for Scenario Analysis	Scenarios Examined	Possible Change in Risk		
					Impact	Likelihood			2027	2030	2050
Risks (continued)											
5	Transition - Policy	Non-compliance with policy / regulation resulting in increased legal liabilities, reputational damage, and financial penalties.	Sudden large scale change in climate policy/ legislative requirements.	Medium	1	2	X				
6	Transition - Policy	Implementation of carbon tax policies resulting in higher costs to the business and reduced competitiveness	Unbudgeted change in climate related tax, e.g. import tax or CBAM.	Medium	2	3	✓	1.5°C	↗	↑	↑
								2-3°C	→	↗	↑
Opportunities											
7	Transition - Market	Introduction of low emission products and services resulting in enhanced corporate value and increased revenue	New 'green' materials, products and services available for use in the UK.	Medium	4P	4P	✓	1.5°C	↗	↑	↑
								2-3°C	→	→	↑
8	Transition - Market	Expansion of climate engineering capability resulting in improved climate solutions and therefore increased profits.	Battery train platform is sold to wider industry New 'technology, products and services available for use in the UK – HMAX.	Medium	4P	4P	X				

* As these items are opportunities (not risks), the rating scale works in the opposite direction i.e. 1 = very low opportunity and 5 = very high opportunity.

Table 1. 2: Change in Risk Key

Change in Risk				
Decrease	Slight decrease	No change	Slight increase	Increase
↓	↘	→	↗	↑

Strategic report (continued)

Climate-related financial disclosures (continued)

Climate Related Risks and Opportunities (continued)

Table 1.3 Risk Rating Criteria

Rating	Impact scale		Likelihood scale	
	Operational – Business Disruption	Reputational – Image Deterioration	Description	Probability of occurrence
	Minimal Disruption on Business Continuity, including Supply Chain / Technology / Staff / Sites availability	Minimal impact confined to small number of customers not affecting perception	Remote	15%
2 – Low	Minor Disruption on Business Continuity, including Supply Chain / Technology / Staff / Sites availability	Minor impact limited to small number of customers but easily recoverable	Unlikely	30%
3 – Medium	Moderate Disruption on Business Continuity, including Supply Chain / Technology / Staff / Sites availability, requiring Business Continuity Solutions	Moderate impact affecting customers but keeping preference unchanged	Possible	50%
4 – High	Extended Disruption on Business Continuity, including Supply Chain / Technology / Staff / Sites availability, requiring Business Continuity Solutions	Major impact widely affecting customers deteriorating relationship and brand perception	Likely	70%
5 – Very High	Block Operations, including Supply Chain / Technology / Staff / Sites availability, requiring Business Continuity Solutions	Significant impact affecting customers with long lasting damage	Probable	85%

Table 1.4 Time Horizon Definitions

	Time horizon
Short-term	From present to 2027
Medium-term	From fiscal 2028 through fiscal 2034
Long-term	From fiscal 2035

Scenario Analysis

As an alternative approach from last year's disclosure, the Company undertook qualitative and quantitative analyses for selected risks and opportunities based on potential impact and likelihood. The risks with the highest combination of impact and likelihood were selected for scenario analysis although some were removed as they were not deemed as UK specific.

Impact pathways are then developed to understand the causal link between climate risks and opportunities and financial implications. The risk or opportunity was then assessed to determine if the impact and likelihood was expected to increase, decrease, or remain constant under the climate scenarios for each time horizon. The outputs of this exercise are summarised in Table 1.1. Definitions for the three climate scenarios used can be seen in Table 1.5.

Strategic report (continued)

Climate-related financial disclosures (continued)

Scenario Analysis (continued)

Table 1.5 Climate Scenarios

Temperature	Scenario	Description	Impact
>4°C	High Emissions	A Representative Concentration Pathway (RCP) scenario that assumes that emissions will continue to rise resulting in an approx. 4°C rise in global temperatures compared to preindustrial levels.	Extreme weather events and long-term shifts in weather patterns are likely to significantly impact the Company's operations in the short, medium, and long-term.
2-3°C	Middle of the Road	A scenario that assumes emissions will continue to rise to approx. 3°C from preindustrial levels by the end of the 21st century.	Due to fewer global initiatives being implemented to transition to Net Zero under this scenario, the impact of both physical and transition risks and opportunities is likely to remain constant in the short-term, but significantly increase in the medium to long-term.
1.5°C	Net Zero Emissions	An RCP scenario under which, at the end of the 21st century, the increase in global temperatures from preindustrial levels is kept below 2°C.	Increase competitiveness and market share by developing products and services that incorporate low-emission technological innovations. Conversely, the opposite applies if transition is slower than peers.

Physical risks were found to have the most significant business and financial impacts across the scenarios examined in the short to medium-term. Repair costs, lost revenue through business and transport disruption are expected to have the greatest financial impact in the long term under higher emission scenarios (>4°C), especially for chronic changes in weather patterns.

Transition risks including the slow adoption of low carbon technologies and carbon pricing are expected to have the most significant impact in the medium-term under the 1.5°C scenario. Due to the nature of business operations, the Company is well placed to capitalise on the adoption of low emissions products and services as a transition opportunity, especially under a 1.5°C scenario where there is consistent regulatory support for decarbonisation.

Overall, based on the identified climate related risks, the Company's business strategy and model is positioned well and is expected to remain resilient under the range of future climate scenarios considered.

Strategic report (continued)

Climate-related financial disclosures (continued)

Risk Management

Approach to Risk Identification

Climate-related risks are identified in the risk register which is owned and periodically reviewed by the UKSC. The Company's approach for identification of these risks is summarised as follows:

- Develop Climate Risk Register – the Company's ERM Framework was applied to develop a risk register of climate-related risks and opportunities.
- Assess and Review – The Company assessed the relevance of Hitachi Railway Systems Business Unit (RSBU) climate-related risks and opportunities by using the following metrics:
 - Peer Benchmarking: Reviewed the latest climate disclosures of other companies in the UK railway industry.
 - Hitachi RSBU: Reviewed the latest climate disclosures, climate time horizons and climate scenarios developed by Hitachi RSBU.
 - Regulatory / Industry Market Research: TCFD publications and publicly available industry research, such as the IEA 'The Future of Rail' report and Department for Transport's Decarbonising Transport report.
 - Market Research: Insights from review of climate reporting across the market and consultants' work with, and co-authoring of published forums.

Risks and opportunities are assessed for their impact by using the financial, operational, or reputational categories, whichever is deemed most relevant for the specific item. For risk items with multiple scenarios, the average impact and likelihood value is taken. The likelihood of occurrence is assessed by estimating the probability of occurrence. See Table 1.3.

An impact pathway is created for each risk and opportunity identified. Table 1.6 shows the impact pathway developed for physical risk (acute) which has an inherent impact score of 3 (medium) and a likelihood of 4 (high).

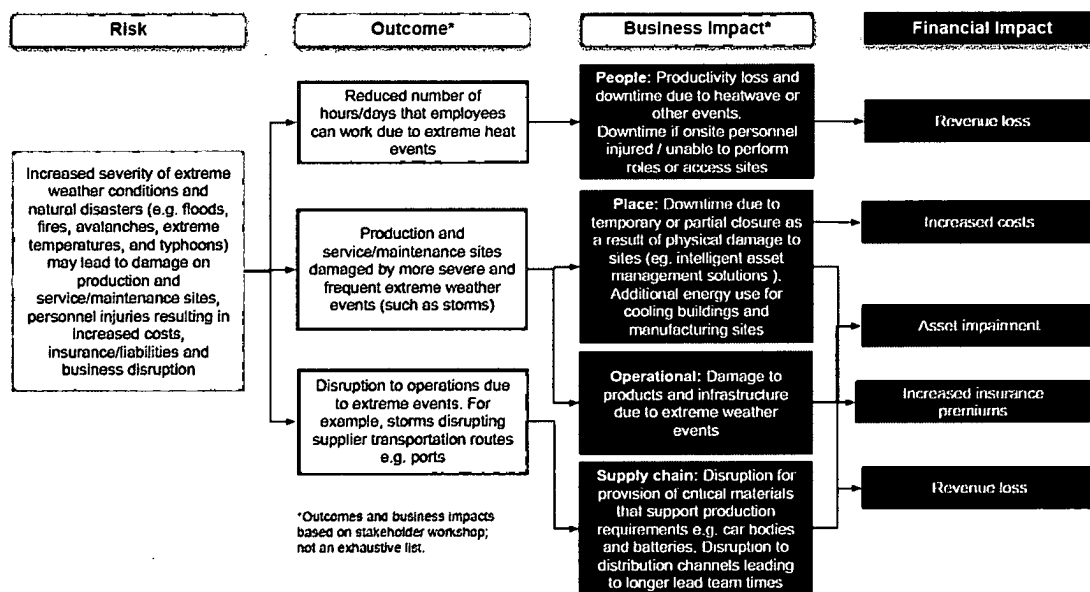
Strategic report (continued)

Climate-related financial disclosures (continued)

Risk Management (continued)

Approach to Risk Identification (continued)

Table 1.6: Physical Risk (Acute) - Impact Pathway



- Time Horizons – The Company adopted the time horizons specified in Table 1.4.
- SME Review and Approval - The Company held a climate risks and opportunities workshop with key stakeholders, including representatives from Risk, Health and Safety, Environment, Finance, Bidding, Research & Development, Procurement, Logistics, Operations and Legal departments. Climate risks and opportunities were identified, scored, and recorded.
- Perform Scenario Analysis - Scenario analysis was performed on a shortlist of climate risks and opportunities under the different climate scenarios set out in Table 1.5.

Risk Management Actions

Climate related risks and controls are managed through the risk register which is owned by the UKSC. These risks are periodically reviewed as a dedicated agenda item. Key risks are escalated to UK ERM function, UKBOC and Global Enterprise Risk Management function.

Metrics and Targets

Metrics and targets are used to support management of climate-related risks and opportunities. By utilising metrics such as scope 1,2 and 3 emissions, the Company can monitor performance and make informed decisions contributing to progression towards Company targets such as carbon neutrality across all business sites by 2030.

The Company calculates energy consumption in absolute values and intensity ratios. Scope 1 and Scope 2 emissions are calculated, and the Company is progressively improving the completeness and accuracy of its Scope 3. Please refer to the SECR disclosure on page 18 for further information.

The Company defines medium- to long-term metrics and targets in the Hitachi Environmental Innovation 2050 long-term environmental targets. We continue to reduce CO2 emissions generated at our own business sites (factories and offices) by utilising the Hitachi Internal Carbon Pricing (HICP) system, which provides incentives for capital investments that contribute to CO2 reductions.

Strategic report (continued)

Climate-related financial disclosures (continued)

Metrics and Targets (continued)

Hitachi RSBU has set targets to achieve carbon neutrality throughout its entire value chain by 2050, bolstering the existing commitment to achieve carbon neutrality across all its business sites by 2030.

Greenhouse Gas (GHG) Emissions

The Company calculates and disclose gross scope 1, 2, and 3 emissions in tonnes per Full-Time Equivalent (FTE) members of staff, as this best reflects business activities. The intensity measurement is reported each year, with comparison made against previous year's performance. UK Government GHG Conversion Factors for Company Reporting (2022) has been used for the reporting of emissions, as seen in the Table on page 19.

Next Steps

Hitachi Rail is committed to making improvements to the disclosure on an annual basis. This year's focus was on providing a more detailed analysis, identifying mitigations, and considering residual risk values. For 2025/26 and future disclosures, the Company intends to focus on:

- Develop Controls - The impact of risks will evolve with time. Controls are required to continually identify, assess, monitor, and manage new climate risks and opportunities as they emerge. These processes should align to the existing risk management processes.
- Develop Metrics and Targets – Focus on identifying existing metrics and targets that are directly relevant to the climate risks and opportunities. Where there are gaps, new metrics and targets will need to be developed.

s172 Statement

The Directors have acted in a way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its sole shareholder, Hitachi, Ltd. In doing so, the Directors had regard to the matters set out in section 172 of the Companies Act 2006 (the "Act").

Stakeholder engagement is critical to the success of the Company. The Hitachi Group values of harmony, sincerity and pioneering spirit informed the Board's engagement with its stakeholders. The Directors each hold senior leadership positions in either the global railway systems business unit of Hitachi, Ltd. ("RSBU") or the wider group of companies of Hitachi, Ltd. and therefore regularly engaged with stakeholders and considered stakeholder interests, both in the medium and long-term, as part of their decision-making. The Directors also delegated stakeholder engagement to other key members of operational management and various informal committees.

The Company's key stakeholders are its employees, unions, suppliers, customers, the community and the environment, regulators and its sole shareholder, Hitachi, Ltd. The table on pages 11-12 provides examples of how the Board, directly or through delegation, fostered relationships with key stakeholders. The Board received regular reports regarding stakeholder engagement, which informed their consideration of the long-term consequences of their decisions.

Strategic report (continued)

s172 Statement (continued)

Employees	• See Statement of Engagement with Employees on page 17.
Unions	• Clear, open and transparent consultations required by law. • Regular information at Employee Forums regarding the Company's strategic and financial direction. • Regular informal dialogue with external and internal union representatives.
Customers	• Company external and internal policies aimed at ensuring ongoing security of customer data, high standards of safety and quality of products and services and continued confidence and trust of its customers. See "Suppliers" section above for examples of relevant policies. • Periodic project meetings and contract reporting. • Site meetings with customers. • Internal tender process meetings. • Participation in trade fairs and conferences.
Suppliers	• Company external policies setting out expectations regarding supplier conduct and quality, including for example the Expectations of Business Partners. • Company internal policies regarding the fair and respectful treatment and selection of actual and potential suppliers, including for example the Quality Policy, Product Safety Policy, Fair Competition Policy, Privacy Policy, Vendor Privacy Policy, Information Security Policy, Environmental Policy, Health and Safety Policy, Whistleblowing and Speak Up Policy, Group Global Procurement Code and Group Code of Ethics and Business Conduct. • Formal and informal contract review meetings and supplier audits to improve business management systems and effectively avoid any defects and operational issues. • Formal training of all Company employees, including senior management and the Procurement function, regarding the Code of Ethics and Business Conduct (which includes anti-bribery and corruption) and Modern Slavery to inform supplier due diligence, selection and management.
Community and Environment	• Company policies to promote sustainable and environmentally friendly business and operational practices. • Maintaining an Environmental Management System (EMS) that is certified to ISO14001:2015. • Internal and external environmental audits. • Continuous improvement of environmental performance and minimising our environmental impact. • Participation in major stakeholder engagement meetings and conferences. • Retaining local skills to support regional economies, including partnering with SmallpieceTrust as supporting programmes for children across the UK and acting as a founding partner of South Durham UTC (specialist technical college for 14-18 year olds).
Regulators	• Company feedback to regulatory consultation. • Provision of information to regulators regarding significant changes to the Company. • General engagement with Government, civil servants and senior figures in the railway industry.

Strategic report (continued)

s172 Statement (continued)

Shareholder	• Group Treasury, Tax and Finance functions and senior management make recommendations to declare dividends, coordinate and evaluate the amount of dividend and impact at local level, which is then considered by the Board. • Regular reporting including financial statements, monthly and quarterly board reports and business reviews, presentations to the board of the Group, business plans and strategic plans as well as risk reporting.
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Principal decisions

Principal decisions are those which: (i) are linked to matters of strategic importance; (ii) are commercially material matters of financial or operational importance; and (iii) impact key stakeholders.

Principal decisions taken by the Board include:

- dividends;
- changes to key investments owned by the Company;
- substantial reorganisation projects;
- business contracts of significant value;
- changes to the Company's strategic objectives;
- substantial changes to the Company's brand; and
- matters that will substantially affect the Company's employees.

In making its decisions, the Board is required to consider the outcome of any stakeholder impact assessment that has been undertaken to support it making that principal decision.

The principal decisions made during the year include for example:

- entry into material new contracts and variation contracts for the manufacturing and maintenance of rolling stock in the UK;
- entering into an agreement to acquire the digital rail monitoring business Omnicom from Balfour Beatty;
- completion of the acquisition of the entire share capital of Centelec UK Limited from Thales SA for the Ground Transportation Systems (GTS) business;
- and the payment of a dividend to Hitachi, Ltd;.

The Directors considered stakeholders when deciding whether to enter into the contracts, and in each case determined that it was in the best interest of the Company's business and would promote the success of the Company for the benefit of its members as a whole.

On behalf of the Board



G. Marino
Director
20 June 2025

Directors' report

The Directors of Hitachi Rail Limited ("the Company") present their Directors' report and financial statements for the year ended 31 March 2025.

Results and dividends

The profit for the year after taxation amounted to £55,170,000 (2024 – £56,359,000). The Directors do not recommend a final dividend (2024 – £nil). An interim dividend of £56,359,000 (2024 – £106,881,000) was paid on 19 March 2025. Please refer to note 29 for further details.

Events since the balance sheet date

On 13 May 2025, the company made a capital injection in Hitachi ZeroCarbon Limited of £5,000,000, increasing the book value of the investment to £24,993,501.

Future developments

The Company intends to trade in the same manner in the forthcoming year, operating as a total railway system supplier offering rolling stock (including manufacturing), railway maintenance, traction equipment, signalling, traffic management systems and related services. The Company also expects the entity to act as an investment holding company, receiving dividends from its subsidiaries.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this report and in the strategic report. In addition, note 21 to the financial statements includes the Company's policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

In assessing whether the financial statements for the Company should be prepared on a going concern basis, the Directors considered the expected impact of the situation in Ukraine, conflict in the Middle East, the U.S. reciprocal tariff policy and slower economic growth on the rail industry and cash and facilities available to the Company over the next 12 months.

The situations in Ukraine and the Middle East, and the U.S. reciprocal tariff policy are not expected to have any material or direct impact on the company's business activities or financial performance. The Directors continue to closely monitor the global economic and political environment and acknowledge the challenges to the local business environment and uncertainty around future rolling stock orders and are prepared to make the necessary decisions and respond accordingly.

The Company has access to an uncommitted £415,000,000 (2024 - £335,000,000) Hitachi Group Treasury loan facility.

The Company's ultimate parent Hitachi, Ltd has continually demonstrated its financial commitment to the Company by investing substantial funds and issuing a letter of support to 30 June 2026. The Directors are satisfied that the ultimate parent Hitachi, Ltd. has the ability to provide this support, should it be required. In reaching this conclusion they considered the strategies that Hitachi, Ltd has put in place.

Given the strong financial position of the company and the continued parental support, the Directors deem it appropriate to prepare the financial statements on a going concern basis.

Directors' report (continued)

Directors

The Directors who served the Company during the year and subsequently were as follows:

G Marino
J Brewin (resigned 21 May 2024)
L D'Aquila
A Dormer (appointed 21 May 2024 and resigned 12 March 2025)
A Hirao (appointed 21 May 2024)
C Andi (appointed 21 May 2024)
G Kandiah (appointed 21 May 2024 and resigned 12 March 2025)
K Masai (appointed 21 May 2024)
L Dellagiovanna (appointed 21 May 2024)
M Valverde (appointed 21 May 2024)
M Iwasaki (appointed 21 May 2024)
W Po (appointed 21 May 2024)

Statement of Corporate Governance Arrangements

Introduction

The Board is committed to maintaining strong levels of good corporate governance that promote the success of the Company and create long-term sustainable value for the Company's stakeholders, including its sole shareholder Hitachi, Ltd. Detailed below are the Company's corporate governance arrangements, which form part of the broader corporate governance arrangements of RSBU and the Hitachi Group.

Purpose, values and strategy

- Purpose and mission - The purpose of the Company is to contribute to society through the development of superior, original technology and products that power sustainable connectivity. Its mission is to deliver innovations that answer society's challenges. The Company's purpose and mission informs the Board's decision-making and the Company's approach to the development and maintenance of its corporate governance infrastructure. The Company has a number of policies that support this purpose and mission and embed its values throughout its operations and interactions with stakeholders. In the past year the Company has published a suite of global policies and procedures with compliance controls to detect, prevent, and remediate risks and support the ethical business conduct of its workforce.
- Values and culture - The Hitachi Group values are harmony, sincerity and pioneering spirit. With its talented team and proven experience in global markets, the Company can inspire the world as its work for society, now more than ever, becomes more meaningful. These values are embedded throughout the Company's culture and support Director decision-making, as well as underpin the approach taken by management and key functional areas, including internal audit, human resources, risk management and compliance. The Company monitors its culture in a range of ways, including undertaking employee surveys, monitoring absenteeism rates, engaging with trade unions, undertaking exit interviews and providing human resource feedback to the Board. Through adopting and 'living' its core values, the Company is able to set a clear course for the business and fulfil its purpose in the long-term. The Company's culture and its values are further reinforced by training on how to adhere to the organisation's policies and procedures, maintain a continuously high standard of business ethics and ensure its working environment is built on the principles of mutual respect and tolerance.

Directors' report (continued)

Statement of Corporate Governance Arrangements (continued)

Purpose, values and strategy (continued)

- Strategy - The Company's strategy is set by the Hitachi Group and is focussed on creating and maintaining value for Hitachi, Ltd., and the Company's wider stakeholders, in both the medium and long-term. The Board ensures that the Company implements Group-wide strategy and makes decisions with sustainable growth in mind by continuously enhancing its technological capabilities and working towards building trusting relationships with its customers, employees, suppliers and other key stakeholders. The Company has transparent policies in relation to ensure it meets its strategic aims, including for example its Supplier Code of Conduct, Code of Ethics and Business Conduct and Whistleblowing Policy.

Board composition

The composition of the Board was formed with a focus on the right balance of skills, background, experience, and knowledge required to complement the promotion of the long-term success of the Company and to identify the impacts of the Board's decisions on the Company's key stakeholders and where relevant, the likely consequences of those decisions in the long-term. On 21 May 2024, the Board was updated to support continued business growth and reflect the nature of the business following the acquisition of the Ground Transportation Systems business from Thales SA.

The Directors occupy key roles within RSBU, including Group CEO and Group COO meaning that they have a wealth of expertise and knowledge of the Company and the wider RSBU organisation in order to make a valuable contribution aligned with the Company's activities and purpose. Other Directors appointed from other Hitachi Group companies include Chief Sustainability Officer and Chief Procurement Officer of Hitachi Ltd. bringing a deep understanding of the global stage, combined with insights across the Hitachi Group that add perspective to support the Company's continued business growth. The Company Secretary oversees governance of the Board.

New Directors receive an induction into the role and both new and current Directors have an opportunity to receive training relevant to their roles within the Board and the wider organisation, including regarding their directors' duties and wider regulatory obligations. As employees of RSBU and the Hitachi Group, the Directors are also required to undergo regular mandatory training, including on the Code of Ethics and Business Conduct, modern slavery and key corporate compliance policies.

Director responsibilities

The Directors are jointly responsible for the Company's management and affairs, having regard to its purpose, values, culture and strategy and the broader governance arrangements of RSBU and the Hitachi Group. The Board meets regularly for this reason, including at formal meeting convened on a quarterly basis and ad hoc meetings as required. The Board receives quarterly updates and advice from the Company's primary lines of business and functional areas, and ad hoc updates and advice from other operational experts to ensure that key risk, financial and other information is available to the Directors to support their decision-making. Such functional areas include, for example: Health and Safety Executive; Sales & Projects; Manufacturing/Rolling Stock; Operations, Service & Maintenance; Human Resources; Finance; Internal Audit/J-SOX; Investments; Compliance; and Legal/Corporate secretarial. The Board's considerations and decisions are documented in the form of minutes and written resolutions. The Board's decisions are implemented by the Company's senior management and supporting staff.

The Board has reserved certain key matters for its own approval, while the day-to-day management of the Company is undertaken by the UK Executive Team, led by the Chief Director UK & Ireland. During the year, the Company formed two new committees of the Board, the Sustainability Committee which provides ongoing oversight of RSBU's sustainability agenda and the Remuneration, Talent and Diversity Committee. These committees are in addition to existing committees of the Board, the Senior Executive Committee which advises the Group CEO in reviewing the management and financial status of the RSBU and taking decisions on matters which have a material effect on such management/financial status, the Risk

Directors' report (continued)

Statement of Corporate Governance Arrangements (continued)

Director responsibilities (continued)

Management Committee which ensures the long-term profitability of RSBU's commercial activities (including contracts and projects) through the rigorous screening of transactions and prudent management of risk and the Audit and Compliance Committee. Additionally, the Company benefits from, and is subject to, decisions and recommendations made by the Senior Executive Committee of Hitachi, Ltd. and relevant sub-committees: Audit and Risk Committee; Investment Committee; and Remuneration and Nomination Committee.

Opportunity and risk

The Company recognises that in order to be the leading integrated transport provider delivering innovative solutions and being a trusted partner for stakeholders, it is crucial to understand, analyse and manage the spectrum of principal risks faced by the Company, and seize opportunities generated in core markets. The Board maintains regular oversight of the risk management arrangements and considers long-term consequences of their decisions with assistance from key functions.

The Company is part of RSBU's integrated risk management framework ("IRM"), that includes both enterprise and project risk management systems. The IRM is overseen by the Risk Management Committee. The key pillars of the IRM are as follows:

- Capture key risks that may adversely affect the achievement of strategic objectives;
- Consider risk in the context of both threats and opportunities;
- Ensure consistency and clarity in governance, accountability and ownership for managing risks across all parts of the business;
- Manage risks in line with defined appetite for risk;
- Review and update the key risks that the Company faces and ensure these are escalated to the appropriate level; and
- Review the maturity of IRM to recognised good practice and continuously enhance approach to risk management.

Statement of engagement with suppliers, customers and others in a business relationship with the Company

The Company aims to build and maintain lasting relationships with its key stakeholders in the countries where it operates. The Company engages with its key stakeholders and considers their differing needs and priorities as an everyday part of its business. The outcomes of stakeholder discussions, including their needs and concerns, are reported to the Board regularly to inform its decision-making.

The Company is continuing to progress its ambition to become a leader in environmental, social and governance responsibilities and to align its policies and practices with the wider Hitachi Group standards. The Company expects its suppliers to act as ethical and responsible businesses, strive for sustainability in their supply chains, and drive innovation and excellence for the rail industry. These expectations are embodied in the Company's Supplier Code of Conduct, which the Company expects all suppliers to comply with for the duration of their business relationship with the Company. Further details regarding our engagement with suppliers, customers and others are detailed in our section 172(1) statement in the Strategic Report on page 11.

Directors' report (continued)

Statement of engagement with employees

The Company recognises and values the importance of employee engagement to the long-term strategic objectives and success of the Company. Employee engagement is overseen by a dedicated internal human resources team, who report to the Board via the Remuneration, Talent and Diversity Committee. Examples of employee engagement include the use of employee surveys, town hall meetings, an employee forum, a weekly employee bulletin on the RSBU intranet, webinars, social media channels, business performance updates and presentations and regular team and one-to-one updates provided by divisional leaders and line managers. Where necessary, consultations are held with employee representatives as well as individual employees, for example, in the case of a redundancy process. The human resources function, to whom the Directors have delegated training responsibility, ensures that employees are provided with training and career development sessions.

The Company also ensures that employees are provided with information on matters of concern to them and affecting Company Performance, including quarterly results, Company strategy, new and ongoing projects, changes in working arrangements, sustainability, training, health and wellbeing, annual performance-related bonus schemes and other benefits, pay review procedures, redundancy schemes, career development and diversity and inclusion. Employees also regularly receive communications from the Group CEO and Chief Director UK & Ireland as part of the Company's wider engagement strategy.

The Company strives to promote inclusivity and does not discriminate between employees or potential employees on the grounds of age, disability, gender reassignment, marriage and civil partnership status, pregnancy and maternity, race, religion or belief, sex or sexual orientation. The Company annually publishes the Company's Gender Pay Gap Report, as well as communications regarding initiatives in this space.

Directors' report (continued)

SECR disclosure

Reasons for Change in Emissions

In the financial year ending 31 March 2025 there was a decrease in the total and relative CO₂e emissions when compared with the previous financial period of 4,703.73 tonnes of CO₂e. The main contributor to this change is the reduction of site liquid fuels and a fall in electricity consumption. During the current reporting period electricity has been purchased on a green contract, which has helped reduce the net CO₂e emissions. Whilst there has been a reduction in total emissions, private vehicle emissions have been increasing each year, with an increase in 168 tonnes of CO₂e compared to the base year.

Business travel

Activities relating to travel are limited to company owned vehicles and employee-owned vehicles on business use.

Quantification and Reporting Methodology

HM Government Environmental Reporting Guidelines: including streamlined energy and carbon reporting guidance (March 2021) has been used for the collation of data sources and reporting of emissions. UK Government GHG Conversion Factors for Company Reporting has been used for the reporting of emissions, using the 2024 version.

Organisational boundary

The financial boundary of the business has been used to determine the reporting boundary.

Operational scope

Measurements include mandatory scope 1, 2 and 3 emissions. Negligible estimates have been made with the collation of data.

Exclusions

There are no data exclusions in this reporting period.

Base Year

The base year is chosen as April 2019 to March 2020. This year represents a typical year for the business operations against which changes can be monitored.

The recalculation policy is to review the base year against current reported emissions for relevant changes which meet a significance threshold value of 5% of base year emissions. The financial year ending 31 March 2021 was clearly exceptional, due to the impact of the COVID-19 pandemic and the base year will remain the financial year ending 31 March 2020, which is indicative of a more normal operating period.

Target setting & Responsibilities

The target is to reduce gross scope 1 and 2 emissions in tonnes of CO₂e per employee by 0.5% per year against the chosen base year of 2019 to 2020. The performance against the target will be reviewed periodically.

Intensity Measurement

The reporting metrics chosen are gross scope 1, 2, and 3 emissions in tonnes of per Full-Time Equivalent (FTE) members of staff, as this best reflects business activities. The intensity measurement will be reported each year, with comparison made against previous year's performance.

Directors' report (continued)

SECR disclosure (continued)

Carbon Offsetting

Electricity has been purchased on a green contract from 1 April 2024 to 31 March 2025.

	% estimated	Specific exclusions (%)	2019/2020	2023/2024	2024/2025
			Base year		
Natural Gas consumption	0	None	1,454.57	1,241.32	1,209.53
Owned transport	0	None	178.02	143.40	129.47
Liquid fuels used on site	0	None	2,840.39	1,319.75	536.11
Fugitive emissions (refrigerant gases)	0	None	66.41	91.77	25.94
Total Scope 1	0		4,539.39	2,796.24	1,901.05
Electricity (grid)	0	None	5,694.77	3,995.52	3,624.25
Electricity self-generated (PV)	0	None	0	0	0
Total Scope 2	0		5,694.77	3,995.52	3,624.25
Business travel activity: private vehicles and rental car trips	0	None	70.78	254.01	239.06
Electricity T & D Losses	0	None	483.48	345.67	320.33
Total Scope 3 CO₂e (tonnes)			554.26	599.68	559.39
TOTAL CO₂e Scope 1, 2, 3 Gross emissions (tonnes)			10,788.42	7,391.44	6,084.69

Intensity Metric Measure (FTE)	2,540	3,336	3,139
Intensity Metric (Gross emissions) tCO ₂ e/FTE	4.247	2,216	1,938

Energy Consumption	Exclusions	2019/2020	2023/2024	2024/2025
kWh	As above	42,280,016	33,505,742	28,469,323
Intensity Metric (Net Emissions)		2019/2020	2023/2024	2024/2025
Scope 1, 2, 3 emissions (Gross) tCO ₂ e		10,788.42	7,391.46	6,084.69
Carbon Offsets		0	3,971.48	3,571.28
Scope 1, 2, 3 emissions (Net) tCO ₂ e		10,788.42	3,419.97	2,513.41
Intensity Metric (Net emissions) tCO ₂ e/FTE		4.247	1.025	0.801

Directors' report (continued)

Energy Efficiency Actions

The following energy efficiency improving measures have been carried out:

- Further LED lighting upgrades at several locations with annual savings of 2,009,386 kWh
- Improved controls of lighting across all locations saving 364,505 kWh annually
- Solar PV installation at two locations saving 439,626 kWh annually
- Gas boilers have been switched off at two locations over the summer months saving 468,852 kWh annually
- Improved Building Energy Management System controls across all locations
- Development and ongoing implementation of ESOS Phase 3 Action Plan Political and charitable contributions

Political and charitable contributions

The Company made no political donations and no charitable donations during the year (2024 – £nil).

Directors and indemnity arrangements

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 remains in force as at the date of approving the Directors' report.

Disclosure of information to the auditor

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 he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of Auditor

The Company has dispensed with the requirement to hold an Annual General Meeting in accordance with the Companies Act 2006. Ernst & Young LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

On behalf of the board



G. Marino
Director
20 June 2025

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable United Kingdom law and UK-adopted international financial reporting standards (IFRSs).

Under company Law the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Company for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Independent auditor's report

to the members of Hitachi Rail Limited

Opinion

We have audited the financial statements of Hitachi Rail Limited for the year ended 31 March 2025 which comprise the income statement, the statement of comprehensive income, the statement of financial position, statement of cash flows, the statement of changes in equity and the related notes 1 to 31, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the risk relating to going concern at the planning and year end phases of the audit.
- Confirming our understanding of the directors' going concern assessment process.
- Assessing the adequacy of the going concern assessment and considering the existence of any significant events or conditions beyond this period.
- Assessing management's forecasting process, including the historical accuracy of forecasts prepared in prior periods and the consistency of the assessment with information obtained from other areas of the audit.
- Testing the clerical accuracy of the model used to prepare the going concern assessment.
- Testing the inputs to the model, including cash on hand, operating cash flows and financing commitments, and agreeing to the latest Board-approved forecasts and other evidence obtained during the audit.
- Obtaining a letter of financial support from Hitachi, Ltd. and assessing its capacity to provide such support for the going concern assessment period to 30 June 2026, including reverse stress testing at the parent company level.
- Assessing the reasonableness of the key assumptions, in the context of other supporting evidence gained from information obtained elsewhere in the audit and challenging whether other more severe scenarios could apply and determining the associated impact on liquidity headroom.
- Assessing the downside scenario analysis performed by the directors.
- Reviewing borrowing facility documentation to confirm availability to the Company through the going concern period, noting no associated financial covenants.

Independent auditor's report (continued)

to the members of Hitachi Rail Limited

Conclusions relating to going concern (continued)

- Reviewing minutes of board meetings with a view to identifying any matters which may impact going concern or contradict the findings made from the procedures performed.
- Assessing the appropriateness and adequacy of the going concern disclosures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 June 2026.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Independent auditor's report (continued)

to the members of Hitachi Rail Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the form and content of the financial statements, such as UK adopted International Accounting Standards, the UK Companies Act 2006, The Companies (Miscellaneous Reporting) Regulations 2018 and the relevant tax compliance regulations in the jurisdictions in which the Company operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements including those relating to health and safety and employee matters.
- We understood how Hitachi Rail Limited is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes as well as consideration of our audit procedures across the Company.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there is a susceptibility to fraud. We considered the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, deter, and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included incorporating data analytics in testing of manual journals and were designed to provide reasonable assurance that the financial statements are free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business, enquiries of legal counsel, management, and internal audit, and focused substantive testing.

Independent auditor's report (continued)

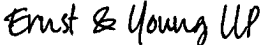
to the members of Hitachi Rail Limited

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

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

Use of our report

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

Signed by:

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Bilal Raja (Senior statutory auditor)

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

London, England

23 June 2025

Income statement

for the year ended 31 March 2025

	Notes	2025 £000	2024 £000
Revenue	4	748,437	725,125
Cost of sales		(641,228)	(659,319)
Gross profit		107,209	65,806
Administration expenses		(52,149)	(38,346)
Other operating income		6,137	741
Other operating expense	5	(123,136)	(23,002)
Operating (loss)/profit	5	(61,939)	5,199
Finance revenue	8	191,961	100,393
Finance costs	9	(71,691)	(41,923)
Profit before taxation		58,331	63,669
Tax charge	10	(3,161)	(7,310)
Profit for the financial year		55,170	56,359

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 March 2025

	2025 £000	2024 £000
Profit for the financial year	55,170	56,359
Other comprehensive income:		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Net (loss)/gain on cash flow hedges	(61)	5
Effect of remeasurement on defined benefit obligation	2,263	2,203
Income tax effect of net gain/(loss) on cash flow hedges	15	(1)
Income tax effect of remeasurement on defined benefit obligation	(565)	(551)
Net other comprehensive income to be reclassified to profit and loss in subsequent periods	1,652	1,656
Total comprehensive income for the year	56,822	58,015

Statement of financial position

at 31 March 2025

		2025	2024
	Notes	£000	£000
Assets			
Non-current assets			
Property, plant and equipment	11	20,222	20,361
Right of use assets	11	4,626	6,253
Intangible assets	12	54,763	110,229
Investment	13	3,571,257	2,010,474
Employee benefits	24	16,342	13,041
Financial non-current assets	18	37,760	37,760
Deferred tax asset	10	368	2,349
		<u>3,705,338</u>	<u>2,200,467</u>
Current assets			
Inventories	14	186,947	224,955
Trade and other receivables	15	166,647	83,372
Contract assets	4	433,731	369,371
Corporate tax asset		5,842	5,508
Prepayments and accrued income	16	39,904	12,745
Financial assets	18	120,531	-
Assets held for sale	19	-	160
Cash and cash equivalents	28	102,068	550
		<u>1,055,670</u>	<u>696,661</u>
Total assets		<u>4,761,008</u>	<u>2,897,128</u>
Equity and liabilities			
Equity			
Issued share capital	23	2,201,363	878,181
Cash flow hedge reserve		(95)	(49)
Pension reserve		20,073	18,375
Retained earnings		802,861	804,050
Total equity		<u>3,024,202</u>	<u>1,700,557</u>
Non-current liabilities			
Deferred revenue	20	6,726	7,401
Lease liabilities	11	3,212	5,033
Deferred tax liability	10	-	5,257
Provisions	22	289	289
		<u>10,227</u>	<u>17,980</u>
Current liabilities			
Trade and other payables	17	223,217	223,742
Lease liabilities	11	2,275	2,395
Contract liabilities	4	135,400	135,243
Financial liabilities	18	1,166,522	757,100
Deferred revenue	20	882	883
Liabilities held for sale	19	-	2,082
Provisions	22	266	386
Cash pooling loans payable	18	198,017	56,760
		<u>1,726,579</u>	<u>1,178,591</u>
Total liabilities		<u>1,736,806</u>	<u>1,196,571</u>
Total equity and liabilities		<u>4,761,008</u>	<u>2,897,128</u>

Statement of financial position (continued)

at 31 March 2025

The financial statements were approved by the board of Directors and signed on its behalf by:



G. Marino
Director
20 June 2025

Statement of changes in equity

for the year ended 31 March 2025

	<i>Issued share capital £000</i>	<i>Cash flow hedge reserve £000</i>	<i>Pension Reserve £000</i>	<i>Retained earnings £000</i>	<i>Total equity £000</i>
At 1 April 2023	878,181	(53)	16,723	854,572	1,749,423
Profit for the year	-	-	-	56,359	56,359
Other comprehensive income	-	4	1,652	-	1,656
Total comprehensive income for the year	-	4	1,652	56,359	58,015
Dividends	-	-	-	(106,881)	(106,881)
At 1 April 2024	878,181	(49)	18,375	804,050	1,700,557
Profit for the year	-	-	-	55,170	55,170
Other comprehensive income	-	(46)	1,698	-	1,652
Total comprehensive income for the year	-	(46)	1,698	55,170	56,822
Issue of share capital	1,323,182	-	-	-	1,323,182
Dividends	-	-	-	(56,359)	(56,359)
At 31 March 2025	<u>2,201,363</u>	<u>(95)</u>	<u>20,073</u>	<u>802,861</u>	<u>3,024,202</u>

Statement of cash flows

for the year ended 31 March 2025

	Notes	2025 £000	2024 £000
Operating activities			
Cash generated from operations	25	(223,883)	(67,455)
Dividend received		173,555	86,716
Interest paid		(71,463)	(41,923)
Income tax paid		-	(6,561)
Net cash used in operating activities		<u>(121,791)</u>	<u>(29,223)</u>
Investing activities			
Interest received		1,185	762
Purchase of property, plant and equipment	11	(3,107)	(4,094)
Purchase of intangible assets	12	(34,791)	(18,718)
Proceeds from sale of property, plant and equipment		235	-
Increase in loans to subsidiary and joint venture	18	-	(3,292)
Investment in subsidiary and joint venture	13	(1,560,783)	(12,609)
Proceeds from disposal of investment	13	5,703	17
Net cash used in investing activities		<u>(1,591,558)</u>	<u>(37,934)</u>
Financing activities			
Increase in cash pooling loans payable		141,257	41,216
Increase in borrowings from group undertakings		409,134	107,000
Issue of share capital		1,323,182	-
Dividends paid		(56,359)	(106,881)
Payment of lease liabilities	11	(2,347)	(2,203)
Net cash flows from financing activities		<u>1,814,867</u>	<u>39,132</u>
Net increase/(decrease) in cash and cash equivalents		101,518	(28,025)
Effect of exchange rate fluctuations		-	-
Cash and cash equivalents at 1 April		550	28,575
Cash and cash equivalents at 31 March	28	<u>102,068</u>	<u>550</u>

Notes to the financial statements

for the year ended 31 March 2025

1. Accounting policies

Corporate information

The financial statements of Hitachi Rail Limited for the year ended 31 March 2025 were authorised for issue by the board of Directors on 20 June 2025. Hitachi Rail Limited is a private company limited by shares, incorporated and domiciled in England and Wales. The registered office is located at 1 New Ludgate, 60 Ludgate Hill, London, EC4M 7HX in England.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this report and in the strategic report. In addition, note 21 to the financial statements includes the Company's policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

In assessing whether the financial statements for the Company should be prepared on a going concern basis, the Directors considered the expected impact of the situation in Ukraine, conflict in the Middle East, the U.S. reciprocal tariff policy and slower economic growth on the rail industry and cash and facilities available to the Company over the next 12 months.

The situations in Ukraine and the Middle East, and the U.S. reciprocal tariff policy are not expected to have any material or direct impact on the company's business activities or financial performance. The Directors continue to closely monitor the global economic and political environment and acknowledge the challenges to the local business environment and uncertainty around future rolling stock orders and are prepared to make the necessary decisions and respond accordingly.

The Company has access to an uncommitted £415,000,000 (2024 - £335,000,000) Hitachi Group Treasury loan facility.

The Company's ultimate parent Hitachi, Ltd has continually demonstrated its financial commitment to the Company by investing substantial funds and issuing a letter of support to 30 June 2026. The Directors are satisfied that the ultimate parent Hitachi, Ltd. has the ability to provide this support, should it be required. In reaching this conclusion they considered the strategies that Hitachi, Ltd has put in place.

Given the strong financial position of the company and the continued parental support, the Directors deem it appropriate to prepare the financial statements on a going concern basis.

Basis of preparation

The financial statements of the Company for the year ended 31 March 2025 have been prepared in accordance with UK-adopted international financial reporting standards (IFRS) as adopted for use in the European Union and applied in accordance with the provisions of the Companies Act 2006.

The financial statements have been prepared on a historical cost basis, except for cash flow hedges that have been measured at fair value. The financial statements are presented in pound sterling and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

Group financial statements

The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare group financial statements as it and its subsidiary undertaking are included by full consolidation in the group financial statements of its ultimate parent, Hitachi, Ltd., a company incorporated in Japan. These financial statements are classed as separate financial statements under IAS 27.

Notes to the financial statements

for the year ended 31 March 2025

1. Accounting policies (continued)

Intangible assets and goodwill

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets acquired separately are measured at cost less any accumulated amortisation and impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Goodwill is initially measured at cost (being the excess of the aggregate consideration transferred and the amount recognised for non-controlling interests and any previous interest held over net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date allocated to each of the Company's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired.

The amortisation period and method for intangible assets with finite useful lives are as follows:

Computer software	–	2 to 5 years
Goodwill	–	up to 12 years

No depreciation is provided for assets under development.

Gains or losses arising from a derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Foreign currency translation

The financial statements are presented in pound sterling, 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 income statement.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract.

Notes to the financial statements

for the year ended 31 March 2025

1. Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. 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:

Plant and equipment	–	2 to 25 years or the term of the finance lease
Leasehold improvements	–	3 to 10 years or lesser of life of lease
Buildings	–	25 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.

Gains or losses arising from a derecognition of a tangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Government grants

Government grants are recognised where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the average expected useful life of the related asset.

The Company has elected to present the grant in the statement of financial position reducing the carrying amount of the property, plant and equipment. The grant is then recognised in profit or loss over the average useful life of the relevant depreciable assets by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised in the amount of consideration to be received for goods and services supplied at a point in time or over time, as contractual performance obligations are fulfilled and control of goods and services passes to the customer. It excludes value-added tax and discounts.

Long-term rolling stock manufacturing

The Company recognises revenue within its rolling stock manufacturing business over time, as it performs its obligations. Management deems this to best reflect the transfer of control to the customer in the enhancement of a customer controlled asset or the construction of an asset with no alternative use. The percentage-of-completion method is utilised to recognise revenue when the outcome of the contract can be estimated reliably. The percentage-of-completion method calculates revenue which can be recognised based on the proportion of costs incurred in the period relative to total costs estimated to be incurred for the duration of the contract.

Long-term railway maintenance contract

The Company recognises revenue within its service and maintenance business over time as it performs its obligations. Revenue is recognised based upon the work performed during the period. This revenue reflects the accrual of the right to consideration for the maintenance services provided as stipulated in the long-term railway maintenance contract. Costs in relation to these contracts are recognised in the profit and loss account as incurred in providing these maintenance services during the period.

Notes to the financial statements

for the year ended 31 March 2025

1. Accounting Policies (continued)

Revenue recognition (continued)

Amounts due on contracts

On construction contracts, amounts are billed as work in progress in accordance with contractually agreed terms. When a performance obligation is satisfied and a customer has not yet been billed, a contract asset (unbilled revenue) is recognised and included within contract assets under Trade and other receivables.

When consideration is received in advance to completion of associated performance obligations or work being performed, or where we have billed a customer in excess of revenue recognised: a contract liability is recognised within Trade and other payables. Revenue is subsequently recognised where the right to recognise revenue has been determined.

Amounts recognised as revenue that have not yet been invoiced are included in trade receivables as amounts due on contracts based on the value of services provided. No asset is recognised in respect of contingent work where at the year end the outcome of the project is not certain.

Onerous Contracts

Full provision is made for all known or expected losses on all contracts immediately when such losses are foreseen.

Provision of additional railway services

Revenue from the provision of additional railway services is recognised to the extent that those services have been provided in line with the terms of the contractual relationship.

Entrustment income

Revenue from these services is earned on a cost plus basis and is recognised at the point that rechargeable costs are incurred.

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.

Current income tax

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, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Notes to the financial statements

for the year ended 31 March 2025

1. Accounting Policies (continued)

Deferred Income Tax (continued)

- The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
- Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Leases

At the commencement date of the lease, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which consists of the initial measurement of the lease liability, any initial direct costs incurred by the Company in setting up/ entering into the lease, an estimate of any costs to dismantle and remove the asset at the end of the lease and any payments made in advance of the lease commencement date (net of any incentive received).

The Company depreciates right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life or the end of the lease term. The carrying amounts of right-of-use assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised when the carrying value of an asset exceeds its recoverable amount.

The Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the applicable incremental borrowing rate. Lease payments included in the measurement of the lease liability comprises of fixed or variable payments (based on an index or rate), amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to the initial measurement, the liability will be reduced for payments made and increased for the interest applied and it is remeasured to reflect any reassessment or contract modifications. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or in the Income Statement if the right-of-use asset is already reduced to zero.

The Company has elected to record short-term leases of less than 12 months and leases of low-value assets as defined in IFRS 16 as an operating expense in the Income Statement on a straight-line basis over the lease term.

The Company has also elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component further increasing the lease liability.

Inventories

Inventories are stated at the lower of cost and net realisable value on a weighted average basis. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Notes to the financial statements

for the year ended 31 March 2025

1. Accounting Policies (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's value in use (recoverable amount). It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its value in use, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. Where legal or other restrictions apply to cash held by the Company it is presented as restricted cash.

Research and development expenditure

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

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 are discounted to present value where the effect is material using pre-tax rate that reflects current market assessment for time value of money and risks specific to the liability. The amortisation of the discount is recognised as finance cost.

Investments in subsidiaries and joint ventures

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

Notes to the financial statements

for the year ended 31 March 2025

1. Accounting Policies (continued)

Current assets and liabilities held for sale

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

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

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Financial instruments

Financial assets

Investments are initially recognised at cost, being fair value of consideration given and including attributable transaction costs associated with the investment.

After initial recognition, investments in equity shares are treated as available for sale financial assets and are measured at their fair value with any gains or losses recognised in equity. When the investment is derecognised or impaired, the cumulative gain or loss previously recognised in equity is included in the income statement.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably valued are measured at cost.

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for those with maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables are presented in trade and other receivables in the statement of financial position.

Financial assets are assessed for impairment in accordance with IFRS 9 'Financial Instruments: Recognition and Measurement', when there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. Please refer to note 21 for details.

Financial liabilities

Financial liabilities within the scope of IFRS 9 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, loans and borrowings and derivative financial instruments.

Notes to the financial statements

for the year ended 31 March 2025

1. Accounting Policies (continued)

Financial instruments (continued)

Loans and borrowings

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

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

Cash Flow Hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement as finance and other similar costs.

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast purchase occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

Notes to the financial statements

for the year ended 31 March 2025

1. Accounting Policies (continued)

Derivative financial instruments and hedge accounting (continued)

Cash Flow Hedges (continued)

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Company uses forward currency contracts to hedge its exposure to foreign currency risk in forecasted transactions and firm commitments. Refer to note 18 for further details.

Employee Benefits

Defined contribution plan

The Company operates a defined contribution pension scheme. Contribution to the pension scheme are recognised in the profit and loss account in the periods in which they become payable and any contributions outstanding at the financial year end are included as an accrual in the Balance Sheet.

Defined benefit plan

Actuarial valuations for accounting purposes are carried out at each balance sheet date in relation to defined benefit plans, using the projected unit credit method, to determine the schemes' liabilities and the related cost of providing benefits. Scheme assets are accounted for at fair value using bid prices.

Current service cost and net interest cost are recognised in the Income Statement as they arise. Past service cost, which can be positive or negative, is recognised immediately in the Income Statement. Gains or losses on the curtailment or settlement of a plan are recognised in the Income Statement when the curtailment or settlement occurs. Re-measurement on retirement benefits obligation, comprising actuarial gains and losses and the return on plan assets (excluding amounts included in net interest cost) are recognised in full in the period in which they occur in the Statement of Income.

Defined benefit plan (continued)

The defined benefit liability recognised in the Balance Sheet represents the present value of the defined benefit obligation less the fair value of any plan assets. Defined benefit assets are also recognised in the Balance Sheet but are limited to the present value of available refunds from, and reductions in future contributions to, the plan.

Termination Benefits

Termination payments are recognised as an expense at the earlier of the Company being unable to withdraw the offer of said benefits or when the Company recognises costs for restructuring that are within the scope of IAS 37 and involves the payment of termination benefits. The Company is considered as no longer being able to withdraw benefits at the earlier of acceptance of the offer by the employee or when a restriction (e.g. a legal, regulatory or contractual requirement) on the Company's ability to withdraw the offer take effect.

Dividends

Dividends on Ordinary Shares are recognised as an asset/liability in the financial statements in the period in which they are declared payable by a subsidiary to the Company, or payable from the Company to the parent respectively and approved by the Directors.

Notes to the financial statements

for the year ended 31 March 2025

1. Accounting Policies (continued)

Change in accounting policy

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2024. They are either not relevant or do not have a material effect on the Company's financial statements:

<i>Amendments to IAS 12</i>	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
<i>Amendments to IAS 1</i>	Classification of Liabilities as Current or Non-current Liabilities with Covenants
<i>Amendments to IFRS 16</i>	Lease liability in a Sale and Leaseback
<i>Amendments to IAS 7 and IFRS 7</i>	Disclosures: Supplier Finance Arrangements

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. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be required where the circumstances on which the estimate was based changes as a result of new information or more experience.

Significant areas of information that have the most significant impact on the financial statements are described below and in the respective notes to the financial statements.

Long-term contracts

Revenue from the majority of the Company's revenue-generating contracts, both manufacturing and service, are recognised over time rather than at a point in time. Revenues are recognised on a percentage of cost of completion basis and as a result, estimates of total lifetime costs are the key underlying assumption of revenues recognised in the period.

Estimates of total lifetime costs are made based on a number of assumptions including future costs of labour, materials, freight, the impact of changes in foreign exchange, and expected productivity levels in addition to other contractual obligations that may arise such as change orders, penalties or performance incentives. Management applies judgement based on contractually agreed costs, historical trends, expected future trends in material and labour prices, and the probability that the Company may incur additional costs as a result of delays or other penalties.

Assumptions underlying estimates of total contract costs are reviewed by management on an ongoing basis and altered where it is deemed that circumstances have changed or a better quality of information is available. This may result in significant adjustments to revenues recognised in the period.

Property, plant and equipment

Carrying values of items of property, plant and equipment are reviewed for indicators of impairment at the reporting date and are subject to impairment testing where events or changes in circumstances indicate the carrying values of given assets may not be recoverable. Review for impairment of property, plant and equipment assets is performed with reference to indicators including macro-economic indicators, the expected financial outlook of the rail industry as a whole, actual obsolescence or physical damage, deterioration in forecast performance, and restructuring programmes. Elements of uncertainty lie in the estimation of these indicators.

Notes to the financial statements

for the year ended 31 March 2025

2. Significant accounting estimates and assumptions (continued)

Income tax charge and income/deferred tax assets and liabilities

Significant judgement and a high degree of estimation is required in determining the expected income tax charge. This is due to the difficulty associated with estimating the potential reliefs and impacts thereof available to the Company including those from the wider Hitachi group.

Retirement benefit obligations

Costs arising from the defined contribution scheme are charged to the Income Statement in the period in which they are occurred. The Company has no legal or constructive obligation to pay further contributions in the event the fund does not hold sufficient assets to meet its commitments.

Liabilities and costs associated with the Company's defined benefit pension scheme are assessed by professionally qualified actuaries and arrived at using actuarial assumptions based on market expectations at the reporting date. The assumptions underlying actuarial valuation include discount rates, mortality rates, and rates of increase for future compensation levels. Whilst management deems the assumptions used as appropriate, differences in actual experience or changes in assumptions may affect obligations and expenses recognised in respect of the defined benefit plan in future accounting periods, and concurrently may exhibit significant period to period volatility.

Notes to the financial statements

for the year ended 31 March 2025

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):

		Effective date for annual periods beginning on or after
<i>Amendments to IAS 21</i>	Lack of exchangeability	1 January 2025
<i>Amendments to IFRS 9 and IFRS 7</i>	Classification and Measurement of Financial Instruments	1 January 2026
<i>IFRS Volume 11</i>	Annual Improvements to IFRS Accounting Standards	1 January 2026
<i>Amendments to IFRS 9 and IFRS 7</i>	Power Purchase Agreements	1 January 2026
<i>IFRS 18</i>	Presentation and Disclosure in Financial Statements	1 January 2027
<i>IFRS 19</i>	Subsidiaries without Public Accountability: Disclosures	1 January 2027
<i>Amendments to IFRS 10 and IAS 28</i>	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	TBC

The Directors are currently evaluating the impact of these standards on the Company's financial statements.

The Company intends to adopt these standards, if applicable, when they become effective. No significant impact as a result of the adoption of any of the above standards is expected.

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, conducted in the UK.

Revenues are comprised as follows:

	2025 £000	2024 £000
Long-term construction contract revenues	115,941	160,358
Rendering of services	632,496	564,767
Total revenues	<u>748,437</u>	<u>725,125</u>

Revenue is further categorised as to whether the revenue recognition from customer sales is predominantly at a point in time or over time as follows:

	2025 £000	2024 £000
Goods and services transferred over time	748,321	724,297
Goods and services transferred at a point in time	116	828
Total revenues	<u>748,437</u>	<u>725,125</u>

Notes to the financial statements

for the year ended 31 March 2025

4. Revenue (continued)

Contract Balances		2025	2024
		£000	£000
Trade receivables		166,647	83,372
Contract assets	(i.)	433,731	369,371
Contract liabilities	(ii.)	(135,400)	(135,243)

(i.) Includes unbilled revenue in respect of construction contracts at the end of the reporting period. No expected credit losses were recognised for contract assets in the current period (2024: £nil).

(ii.) Amounts due to customers for contract work includes billings in excess of revenue and advances received from customers in respect of work to be performed under construction contracts and foreseeable losses thereon. Movements in the period were as follows:

	2025	2024
	£000	£000
At 1 April	135,243	201,867
Additional contract liabilities recognised	74,046	55,585
Opening balance recognised as revenue in the period	(73,889)	(122,209)
At 31 March	<u>135,400</u>	<u>135,243</u>

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at 31 March are as follows:

2025	2025	2024	2024
Within one year	More than one year	Within one year	More than one year
£000	£000	£000	£000
770,189	8,924,524	775,953	8,743,140

Notes to the financial statements

for the year ended 31 March 2025

5. Operating (loss)/profit

This is stated after accounting for:

	2025	2024
<i>Notes</i>	£000	£000
Auditors' remuneration		
– audit services	(332)	(310)
– other services related to audit	(79)	(86)
Costs in relation to past acquisitions and strategic advice		
– costs incurred in connection with advice relating to strategic development and evaluation of past and potential acquisition targets	(24,944)	(21,749)
Depreciation of property, plant and equipment		
– owned assets	(1,794)	(1,451)
– right-of-use assets	(2,026)	(2,112)
Amortisation of intangible assets		
– owned assets	(1,793)	(1,618)
Derecognition of tangible/intangible assets		
– assets in the course of development	(292)	(282)
Disposal of tangible assets		
– gain on disposal of owned assets	235	-
Impairment of tangible/intangible assets		
– owned assets	(89,624)	-
Disposal of investment		
– gain/(loss) on disposal of investment	4	(34)
Sales of business		
– gain on partial sales of business	5,699	-
Restructuring costs		
– costs for restructuring from collective voluntary redundancy programme	(1)	-
Cost in relation to acquisitions		
– cost incurred in acquisitions	(8,566)	-

Notes to the financial statements

for the year ended 31 March 2025

6. Directors' remuneration

	2025	2024
	£000	£000
Directors' remuneration in respect of qualifying services	-	415
Pension contribution to money purchase pension schemes	-	19

The remuneration of the highest paid director was £nil (2024 – £434,211) and contributions to the pension scheme of £nil (2024 – £19,004). The Directors are remunerated by other companies in the Hitachi group and it is not possible to reasonably attribute a part of their remuneration to their qualifying services for this company.

None of the directors participated in the Company's defined contribution pension scheme (2024 – one).

7. Staff costs

	2025	2024
	£000	£000
Wages and salaries	181,159	168,298
Social security costs	21,768	19,944
Termination Benefits	855	164
Expenses relating to pension plans (note 24)	11,829	11,702
	<u>215,611</u>	<u>200,108</u>

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

	2025	2024
	No.	No.
Office and Management	487	488
Manufacturing, Maintenance and Engineering	2,149	2,122
	<u>- 2,636</u>	<u>2,610</u>

8. Finance revenue

	2025	2024
	£000	£000
Interest income (note 18)	14,637	10,664
Net foreign exchange gain	3,769	2,887
Dividend Income	173,555	86,716
Unrealised foreign exchange gain on derivatives used for hedging	-	126
	<u>191,961</u>	<u>100,393</u>

Dividends of £11,450,000 (2024 – £7,125,000) were received from Agility Trains West (Holdings) Ltd and £7,375,000 (2024 – £5,750,000) from Agility Trains East (Holdings) Ltd within the financial year. Dividends of £146,443,691 (2024 – £72,980,793), £8,286,789 (2024 – £nil) and £nil (2024 – £860,222) were recognised as income on ordinary shares from the Company's direct subsidiaries Hitachi Rail STS SpA, Hitachi Rail GTS Holding Limited and Perpetuum Limited respectively.

Notes to the financial statements

for the year ended 31 March 2025

9. Finance costs

	2025	2024
	£000	£000
Interest on debts and borrowings	71,281	41,701
Interest expense on lease liabilities	182	222
Unrealised foreign exchange loss on derivatives used for hedging	228	-
	<u>71,691</u>	<u>41,923</u>

10. Tax

(a) Tax on profit on ordinary activities

The tax (charge)/credit is made up as follows:

	2025	2024
	£000	£000
Current tax:		
UK Corporation tax at 25% (2024 – 25%)	355	2,213
Utilisation of previously recognised tax losses	138	-
UK adjustments in respect of prior years	(159)	(547)
Group Relief Payable	-	(208)
Foreign withholding tax on dividend receivable	(7,322)	(3,649)
Total current income tax charge	<u>(6,988)</u>	<u>(2,191)</u>
Deferred tax:		
Origination and reversal of timing differences	3,827	(5,119)
Total deferred tax	<u>3,827</u>	<u>(5,119)</u>
Total tax charge in the income statement (note 10 (b))	<u>(3,161)</u>	<u>(7,310)</u>

Pillar Two Taxation

Tax laws have been enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD) in certain countries and regions in which the Hitachi Group is engaged in business activities. For the year ended 31 March 2025 revenue exceeded 750 million Euro which is a threshold of the Pillar Two model rule. Moreover, revenue for the year ending 31 March 2026 is expected to be also over 750 million Euro. The Hitachi Group has performed an assessment of the potential exposure to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the OECD (hereinafter “the Pillar Two income taxes”).

The assessment of the potential exposure to the Pillar Two model rules is based on the most recent tax filings of the Hitachi Group subsidiaries and country-by-country report and is performed by taking into account special factors and business combinations. Based on this assessment, no Pillar Two income taxes have yet been levied in the UK. The company assumes that the future potential impact on its net assets, financial position and result of operations will not be material.

Notes to the financial statements

for the year ended 31 March 2025

10. Tax (continued)

(b) Reconciliation of the total tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 25% (2024 – 25%). The differences are explained below:

	2025 £000	2024 £000
Accounting profit before tax	58,331	63,669
Tax calculated at UK standard rate of corporation tax of 25% (2024: 25%)	14,583	15,917
<i>Effects of:</i>		
Non-trading credits and expenses not deductible for tax purposes	28,451	3,549
Dividend income exemption	(43,389)	(21,679)
Adjustments in respect of prior years	159	547
Utilisation of previously recognised tax losses	(138)	-
Group Relief Payable	-	208
Tax (credit)/charge in respect of temporary differences	(3,567)	4,683
Tax charge in respect of temporary differences in OCI	203	436
Tax credit in respect of corporation tax losses	(463)	-
Foreign withholding tax on dividend receivable	7,322	3,649
Total tax charge (note 10(a))	3,161	7,310

(c) Deferred tax

Analysis of deferred tax

	Recognised 2025 £000	Recognised 2024 £000
Deferred tax liability		
Employee Defined Benefit Plan	(4,086)	(3,260)
Purchase Price Allocation	(1,821)	(1,997)
Deferred tax liability	(5,907)	(5,257)
Deferred tax asset		
Revaluation of cash flow hedges	97	25
Corporation tax losses available	2,007	-
Depreciation and capital allowances	4,171	2,324
Deferred tax asset	6,275	2,349
Disclosed on the balance sheet		
Deferred tax asset	368	2,349
Deferred tax liability	-	(5,257)
Total deferred tax	368	(2,908)

Notes to the financial statements

for the year ended 31 March 2025

10. Tax (continued)

(c) Deferred tax (continued)

At 31 March 2025, the Company had a net deferred tax asset of £368,000 (2024 – £2,908,000 liability) that has been recognised in these financial statements. The deferred tax liability consists of the tax effect of the defined benefit plan of £16,342,000 (2024 – £13,041,000) and timing differences arising from accelerated differences on purchase price allocation of £7,285,000 (2024 – £7,987,000). The asset consists of the tax effect on the revaluation of cash flow hedges of £388,000 (2024 – £100,000), timing differences arising from accelerated differences on capital allowances of £16,684,000 (2024 – £9,296,000) and the tax effect of the corporation tax losses available of £8,026,000 (2024 – £nil).

11. Property, plant and equipment

(i.) Property, plant and equipment analysis

	<i>Assets under construction</i>	<i>Buildings</i>	<i>Land</i>	<i>Leasehold improvements</i>	<i>Plant and Equipment</i>	<i>Total tangible assets</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:						
At 1 April 2024	977	58,299	6,126	1,852	59,725	126,979
Additions	878	62	-	327	1,840	3,107
Reclassifications	(708)	322	-	-	386	-
Derecognition	(292)	-	-	-	-	(292)
Reclassification	(71)	-	-	-	-	(71)
between tangible/intangible						
Disposals	-	(119)	-	-	(950)	(1,069)
At 31 March 2025	784	58,564	6,126	2,179	61,001	128,654
Depreciation and impairment:						
At 1 April 2024	-	53,504	1,164	1,311	50,639	106,618
Charge for the year	-	281	-	214	1,299	1,794
Disposals	-	(119)	-	-	(950)	(1,069)
Impairment	-	-	759	-	330	1,089
At 31 March 2025	-	53,666	1,923	1,525	51,318	108,432
Net book value:						
At 1 April 2024	977	4,795	4,962	541	9,086	20,361
At 31 March 2025	784	4,898	4,203	654	9,683	20,222

The Company has no restrictions on its ownership and title to the property, plant and equipment and these assets have not been pledged as security for liabilities.

As at the reporting date, the Company has gross carrying amount £100,431,677 (2024 - £101,412,359) in property, plant and equipment that is fully depreciated and still in use.

Notes to the financial statements

for the year ended 31 March 2025

11. Property, plant and equipment (continued)

(ii). Right-of-use assets analysis

	<i>Buildings</i> £000	<i>Machinery</i> £000	<i>Vehicles</i> £000	<i>Tools, Fixtures and Fittings</i> £000	<i>Total right- of-use assets</i> £000
Cost:					
At 1 April 2024	12,279	1,067	329	177	13,852
Additions	327	-	-	72	399
At 31 March 2025	<u>12,606</u>	<u>1,067</u>	<u>329</u>	<u>249</u>	<u>14,251</u>
Depreciation:					
At 1 April 2024	6,575	526	329	169	7,599
Charge for the year	1,658	336	-	32	2,026
At 31 March 2025	<u>8,233</u>	<u>862</u>	<u>329</u>	<u>201</u>	<u>9,625</u>
Net book value:					
At 1 April 2024	<u>5,704</u>	<u>541</u>	<u>-</u>	<u>8</u>	<u>6,253</u>
At 31 March 2025	<u>4,373</u>	<u>205</u>	<u>-</u>	<u>48</u>	<u>4,626</u>

Right-of-use assets consist of:

-Buildings for warehouse space and manufacturing and testing facilities. The lease terms vary from 5 to 25 years with an average of 11 years.

-Machinery and equipment used for manufacturing and service & maintenance purposes. The lease terms vary from 2 to 3 years with an average of 3 years.

-Motor vehicles for management and specific members of the business requiring business transportation. The lease terms vary from 3 to 5 years with an average of 4 years. The majority of vehicles are fully depreciated and are awaiting renewal or disposal at the commencement of the next financial year.

-Tools, Fixtures and Fittings which are primarily items of furniture and items of equipment used for administration purposes. The lease terms are an average of 5 years.

Notes to the financial statements

for the year ended 31 March 2025

11. Property, plant and equipment (continued)

(iii.) Lease Disclosures

(iii.a) Amounts recognised in the Income Statement	2025 £000	2024 £000
-Depreciation charged during the year	2,026	2,112
-Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	8	8
Interest on lease liabilities:		
-Charge for the year	182	222
Recognised in the Income Statement	2,216	2,342

(iii.b) Amounts recognised in the Statement of Cash Flows	2025 £000	2024 £000
Total cash outflow for leases during the year*	2,339	2,211

*Includes principal and interest elements of lease liabilities and short-term and low-value lease expenses

(iii.c) At the balance sheet date the Company had commitments under non-cancellable leases falling due as follows:	2025 £000	2024 £000
-Within 1 year	2,275	2,395
-Within 2 to 5 years	2,179	3,960
-After 5 years	1,033	1,073
Total	5,487	7,428

Notes to the financial statements

for the year ended 31 March 2025

12. Intangible assets

	<i>Assets under development</i>	<i>Goodwill</i>	<i>Software</i>	<i>Total intangible assets</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:				
At 1 April 2024	73,837	28,870	22,024	124,731
Additions	34,791	-	-	34,791
Reclassification	(722)	-	722	-
Reclassification between tangible/intangible	71	-	-	71
At 31 March 2025	<u>107,977</u>	<u>28,870</u>	<u>22,746</u>	<u>159,593</u>
Amortisation:				
At 1 April 2024	-	2,107	12,395	14,502
Charge for the year	-	703	1,090	1,793
Impairment	88,535	-	-	88,535
At 31 March 2025	<u>88,535</u>	<u>2,810</u>	<u>13,485</u>	<u>104,830</u>
Net book value:				
At 1 April 2024	<u>73,837</u>	<u>26,763</u>	<u>9,629</u>	<u>110,229</u>
At 31 March 2025	<u>19,442</u>	<u>26,060</u>	<u>9,261</u>	<u>54,763</u>

Assets under development include costs associated with the development of IT platforms, and costs relating to the design and development of new train platforms. Amortisation of assets under development commences once the intangible asset is available for use.

In the year ending 31 March 2025 a change in assumptions for new market opportunities and new contracts awarded to the Company based on a new AT300 platform resulted in a requirement to complete an impairment assessment of the AT300 SXR Platform development. This assessment compared the value in use with the carrying value. The value in use was discounted at 8.5% per annum, which was derived from the weighted average cost of capital. This exercise has resulted in an impairment charge of £88,535,000 on the carrying value of the asset under development (to a written down value of £nil) being recognised in the year.

Notes to the financial statements

for the year ended 31 March 2025

13. Investment

	<i>Interests in subsidiaries</i>	<i>Interests in joint ventures</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 1 April 2024	2,010,428	46	2,010,474
Additions	1,560,783	-	1,560,783
At 31 March 2025	<u>3,571,211</u>	<u>46</u>	<u>3,571,257</u>
Net book value:			
At 1 April 2024	<u>2,010,428</u>	<u>46</u>	<u>2,010,474</u>
At 31 March 2025	<u>3,571,211</u>	<u>46</u>	<u>3,571,257</u>

On 3 October 2024, the company made a capital injection in Hitachi ZeroCarbon Limited of £7,384,000 during the financial year, increasing the book value of the investment to £19,993,501 at 31 March 2025.

On 31 May 2024, the Company acquired the entire share capital of Centelec UK Limited from Thales SA for the acquisition of Thales' Ground Transportation Systems (GTS) business at for €1,809,720,000 (equivalent to £1,553,399,000). Centelec UK Limited subsequently changed its name to Hitachi Rail GTS Holding Limited.

The principal operating companies in which the Company's interest direct 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>
<i>Hitachi Rail STS SpA</i>	<i>Italy</i>	<i>100% ordinary</i>	<i>Signalling and Transportation Systems</i>
<i>Secure Rail India Private Limited</i>	<i>India</i>	<i>100% ordinary</i>	<i>Signalling and Transportation Systems</i>
<i>Hitachi ZeroCarbon Limited</i>	<i>United Kingdom</i>	<i>100% ordinary</i>	<i>Engineering related scientific and technical consulting</i>
<i>Hitachi Rail GTS Holding Limited</i>	<i>United Kingdom</i>	<i>100% ordinary</i>	<i>Investment holding company</i>
<i>Rock Rail East Midlands (Holdings) 1 Ltd.</i>	<i>United Kingdom</i>	<i>41.32% ordinary</i>	<i>Supply and maintenance of train rolling stock</i>
<i>Agility Trains West (Holdings) Limited</i>	<i>United Kingdom</i>	<i>25% ordinary</i>	<i>Supply and maintenance of train rolling stock</i>
<i>Agility Trains East (Holdings) Limited</i>	<i>United Kingdom</i>	<i>25% ordinary</i>	<i>Supply and maintenance of train rolling stock</i>

Notes to the financial statements

for the year ended 31 March 2025

14. Inventories

	2025	2024
	£000	£000
Finished goods, goods for resale and raw materials	186,947	224,955

Inventories recognised as an expense within cost of sales amounted to £106,904,000 (2024: £125,940,000).

15. Trade and other receivables

	2025	2024
	£000	£000
Trade receivables due from related parties	145,840	73,772
Other trade receivables	20,807	9,600
Trade receivables	166,647	83,372
Amounts due from customers for contract work	433,731	369,371
	600,378	452,743
Non-current	-	-
Current	600,378	452,743
	600,378	452,743

The Company evaluates the risk of credit losses with respect to trade receivables and contract assets as low and following an impairment analysis performed at the reporting date reflecting the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions, has not made any allowance (£nil) for expected credit losses of trade receivables and contract assets as at 31 March 2025 (2024 - £nil). As at 31 March 2025, trade receivables of £nil were impaired and fully provided for (2024 - £1,782,000 classified as assets held for sale).

As at 31 March, the ageing analysis of other trade receivables that were past due but not impaired is as follows:

		Past due but not impaired					
	Total	Not past due or impaired	< 30 days	30-60 days	61-90 days	91-120 days	>120 days
	£000	£000	£000	£000	£000	£000	£000
2025	20,807	18,502	497	1,608	187	13	-
2024	9,600	8,357	1,040	52	124	27	-

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

Notes to the financial statements

for the year ended 31 March 2025

16. Prepayments and accrued income

	2025	2024
	£000	£000
Prepaid Expenses	6,242	6,311
Advances paid to suppliers	33,662	6,434
	<u>39,904</u>	<u>12,745</u>

Advances paid to suppliers increased in the year due to rolling stock project progression and delivery of materials for manufacturing.

17. Trade and other payables

	2025	2024
	£000	£000
Trade payables due to related parties	62,359	57,426
Trade payables	52,401	79,535
Accrued expenses	108,457	86,781
Payables	<u>223,217</u>	<u>223,742</u>
Amounts due to customers for contract work	135,400	135,243
	<u>358,617</u>	<u>358,985</u>
Non-current	-	-
Current	<u>358,617</u>	<u>358,985</u>
	<u>358,617</u>	<u>358,985</u>

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

Current trade payables due to related parties and other trade payables are non-interest bearing and are generally on terms of 30, 60, 90 and 360 days.

18. Financial assets and financial liabilities

Financial assets

	2025	2024
	£000	£000
Financial instruments at fair value through other comprehensive income		
Financial receivables, owed by third parties	120,531	-
Loan notes, owed by group undertakings due in more than one year	37,760	37,760
Total assets	<u>158,291</u>	<u>37,760</u>

Notes to the financial statements

for the year ended 31 March 2025

18. Financial assets and financial liabilities (continued)

Financial assets (continued)

The financial receivables £120,531,106 (2024 - £nil) are unsecured, non-interest bearing and due for payment in January 2026.

In the year ending 31 March 2025, the company held £37,759,550 (2024 - £37,759,550) in loan notes issued by Rock Rail East Midlands (Holdings) 2 Limited. The loan is unsecured and due to be repaid over 25 years. Interest from loan notes is receivable at a rate of 7% per annum.

Financial assets at fair value through other comprehensive income reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast purchases in Euro, Japanese Yen and US Dollar.

Financial liabilities

	2025	2024
	£000	£000
<i>Financial instruments at fair value through other comprehensive income</i>		
Cash flow hedges	388	100
Loan notes, owed to group undertakings due within one year	1,166,134	757,000
Cash pooling loans	198,017	56,760
Total current liabilities	<u>1,364,539</u>	<u>813,860</u>

At 31 March 2025 the Company had loan balances payable to Hitachi International Holland B.V. and Hitachi Europe Limited for £1,013,600,000 and £100,000,000 respectively. The loans are issued as part of a revolving loan facility available to the Company under the Hitachi Treasury Master Services Agreement between the Company and Regional Treasury Centres in the Hitachi Group.

Additionally, the Company has cash pooling loan payables with Hitachi Rail GTS Holding Limited amounting to €63,032,000 (2024: £nil) equivalent to £52,534,000 (2024: £nil). As of 31 March 2025, the Company's cash reserves include a net amount of £52,534,000 (2024: £nil) derived from cash pooling activities.

Interest on all loans is payable monthly based on Hitachi group determined cost of funds rate plus 20 basis points.

Financial liabilities at fair value through other comprehensive income reflect the change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast purchases in Euro, Japanese Yen and US Dollar.

Cash flow hedges

Foreign exchange forward contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast purchases in Euro and Japanese Yen.

While the Company also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

Cash Pooling Loans

The company has access to pooling funds from the Hitachi Group Treasury loan facility. As of the end of 31 March 2025 the Company has pooling loans of £198,017,000 (2024 - £56,760,000) made available from the facility which is classified both under cash and cash equivalents (Note 28) and financial liabilities.

Notes to the financial statements

for the year ended 31 March 2025

18. Financial assets and financial liabilities (continued)

Off Balance Sheet

Financial assets and liabilities are offset and the net amount reported in the Financial Statements, where the Company has no obligation to pay amounts unless it collects equivalent amounts from the original asset, is prohibited from selling or pledging the original asset and has an obligation to remit any cash flows it collects without material delay.

On 11 July 2016 the Company invested £56,454,000 in Agility Trains West (Midco) Limited Loan Notes. On 18 December 2020 the Company entered into a sub-participation agreement in relation to this balance. On 23 June 2021 the Company entered into a sub-participation agreement relating to its remaining shareholder loan balance with Agility Trains East (Midco) Limited of £60,620,000. Payments totalling £18,128,000 have subsequently been made against the balances of these sub-participated loans.

Having met the criteria under IFRS 9 "Financial Instruments" paragraphs 3.2.5 & 3.2.22 and IAS32 "Financial Instruments: Recognition and Measurement" paragraph 42, the associated financial assets and liabilities, relating to principal amount of £98,947,000 have been offset and derecognised from the financial statements.

The table below presents the financial assets and liabilities recognised and offset:

<i>As at 31 March 2025</i>	<i>Gross Value before offset £000</i>	<i>Offset £000</i>	<i>Net Amounts after offset presented on balance sheet £000</i>
Financial assets	257,238	(98,947)	158,291
Financial liabilities	1,463,486	(98,947)	1,364,539

19. Assets and liabilities held for sale

Following a regulatory remedy being required in connection with the acquisition by the Company of the Ground Transportation Signalling business of Thales SA, the sale of the UK digital mainline signalling business in the Company (together with the mainline signalling businesses held by its subsidiary Hitachi Rail STS SpA in France and Germany) was necessary. The sale of the UK digital mainline signalling business was completed in July 2024 and prior to this was classified as an asset held for sale.

The UK market for digital mainline signalling is not considered a major line of business or geographical area of operations for the Company, so does not meet the definition of a discontinued operation and is not presented as such.

The major classes of assets and liabilities classified as held for sale as at 31 March are as follows:

	<i>2025 £000</i>	<i>2024 £000</i>
Current assets held for sale		
Contract assets	-	150
Prepayments and accrued income	-	10
	-	160
Liabilities assets held for sale		
Trade and other payables	-	(1,309)
Contract liabilities	-	(773)
	-	(2,082)

Notes to the financial statements

for the year ended 31 March 2025

19. Assets and liabilities held for sale (continued)

	2025	2024
	£000	£000
Disclosed on the balance sheet		
Current assets held for sale	-	160
Current liabilities held for sale	-	(2,082)
Net liabilities held for sale	-	(1,922)

As at 31 March 2025, trade receivables of £nil (2024 - £1,782,000) were impaired and fully provided for.

20. Deferred revenue

	2025	2024
	£000	£000
At 1 April	8,284	8,870
Deferred during the year	-	108
Released to the income statement	(676)	(694)
At 31 March	7,608	8,284
Current	882	883
Non-current	6,726	7,401
	7,608	8,284

Deferred revenue includes advances received in relation to loan commitment fees.

21. Financial risk management objectives and policies

The board of Directors reviews and agrees policies for managing foreign currency risk, credit risk, and liquidity risk, which are summarised below.

Foreign currency risk

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

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

	<i>Liabilities</i>		<i>Assets</i>	
	2025	2024	2025	2024
	£000	£000	£000	£000
Euro	91,823	70,097	120,306	17,914
Japanese Yen	3,909	4,394	1,049	593
Other	2,315	2,254	4,100	171

Notes to the financial statements

for the year ended 31 March 2025

21. Financial risk management objectives and policies (continued)

Foreign currency sensitivity

The following tables demonstrate the Company's sensitivity to a 5 per cent increase and decrease in Sterling against Euro (EUR) and Japanese Yen (JPY), with all other variables held constant. The sensitivity analysis includes only outstanding Euro 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 whereas a negative number indicates a comparable impact on the profit. The Company's exposure to foreign currency changes for currencies other than Euro and Japanese Yen is not material.

	Change in EUR rate	Effect on profit before tax £000	Change in JPY rate	Effect on profit before tax £000
2025	+5%	1,424	+5%	(143)
	-5%	(1,424)	-5%	143
2024	+5%	(2,609)	+5%	(190)
	-5%	2,609	-5%	190

Fair values of financial assets and liabilities

There is no difference between the carrying amount and the fair value of any financial instrument for the Company.

The carrying amounts of each class of financial assets and financial liabilities is summarised overleaf:

	Carrying Amount		Fair Value	
	2025	2024	2025	2024
	£000	£000	£000	£000
<i>Financial assets</i>				
Investment	3,571,257	2,010,474	3,571,257	2,010,474
Trade and other receivables	166,647	83,372	166,647	83,372
Contract Asset	433,731	369,371	433,731	369,371
Loan notes, owed by group undertakings	37,760	37,760	37,760	37,760
Financial receivables	120,531	-	120,531	-
Assets held for sale	-	160	-	160
Cash at bank	676	410	676	410
Cash pooling loans receivable	101,392	140	101,392	140

Notes to the financial statements

for the year ended 31 March 2025

21. Financial risk management objectives and policies (continued)

Fair values of financial assets and liabilities (continued)

	<i>Carrying Amount</i>		<i>Fair Value</i>	
	2025	2024	2025	2024
	£000	£000	£000	£000
<i>Financial liabilities</i>				
Loan notes, owed to group undertakings	1,166,134	757,000	1,166,134	757,000
Trade and other payables	223,217	223,742	223,217	223,742
Contract liabilities	135,400	135,243	135,400	135,243
Liabilities held for sale	-	2,082	-	2,082
Cash pooling loans payable	198,017	56,760	198,017	56,760
Cash flow hedges	388	100	388	100

The fair value of forward currency exchange contracts was determined using mark to market forward exchange rates matching the maturities of the contracts.

The carrying values of short-term receivables and payables are assumed to approximate their fair values where discounting is not material.

The terms of the foreign currency forward contracts have been negotiated to match the terms of the commitments. There were no significant element of hedge ineffectiveness requiring recognition in the income statement.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorder fair value that are not based on observable market data.

Notes to the financial statements

for the year ended 31 March 2025

21. Financial risk management objectives and policies (continued)

Fair value hierarchy (continued)

At 31 March 2025, the financial instruments held by the Company at fair value are shown below:

	2025 £000	Level 1 £000	Level 2 £000	Level 3 £000
Assets measured at fair value				
Foreign currency forward contracts	-	-	-	-
Liabilities measured at fair value				
Foreign currency forward contracts	388	-	388	-

At 31 March 2024, the Company held the following financial instruments measured at fair value:

	2024 £000	Level 1 £000	Level 2 £000	Level 3 £000
Assets measured at fair value				
Foreign currency forward contracts	-	-	-	-
Liabilities measured at fair value				
Foreign currency forward contracts	100	-	100	-

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether the transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During the reporting period ending 31 March 2025, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of the Level 3 fair value measurements.

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 only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available, and if 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 small number of customers. The requirement for an impairment is analysed at each reporting date on an individual basis for major clients applying the simplified approach under IFRS 9 for expected credit losses. The Company does not recognise an allowance for expected credit losses on trade receivables and contract assets for the year ended 31 March 2025. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 18. The Company does not hold collateral as security.

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

Notes to the financial statements

for the year ended 31 March 2025

21. Financial risk management objectives and policies (continued)

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 table below summarises the maturity profile of the Company's financial liabilities at 31 March 2025 and 31 March 2024 based on contractual undiscounted payments.

<i>Year ended</i> 31 March 2025	<i>On demand</i> £000	<i>Less than</i> <i>3 months</i> £000	<i>3 to 12</i> <i>months</i> £000	<i>1 to 5 years</i> £000	<i>Over 5 years</i> £000	<i>Total</i> £000
Non-derivative Financial Liabilities						
Loan notes, owed to group undertakings	52,534	1,113,600	-	-	-	1,166,134
Trade and other payables	28,995	192,478	1,744	-	-	223,217
Other liabilities	-	-	-	-	289	289
	<u>81,529</u>	<u>1,306,078</u>	<u>1,744</u>	<u>-</u>	<u>289</u>	<u>1,389,640</u>

<i>Year ended</i> 31 March 2024	<i>On demand</i> £000	<i>Less than 3</i> <i>months</i> £000	<i>3 to 12</i> <i>months</i> £000	<i>1 to 5 years</i> £000	<i>Over 5 years</i> £000	<i>Total</i> £000
Non-derivative Financial Liabilities						
Loan notes, owed to group undertakings	-	-	757,000	-	-	757,000
Trade and other payables	29,693	189,128	4,921	-	-	223,742
Other liabilities	-	-	-	-	289	289
	<u>29,693</u>	<u>189,128</u>	<u>761,921</u>	<u>-</u>	<u>289</u>	<u>981,031</u>

Capital management

Capital includes equity attributable to the shareholder. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to provide an optimal return to its shareholder. In order to maintain or re-align the capital structure, the Company may receive capital contributions from group undertakings.

Notes to the financial statements

for the year ended 31 March 2025

22. Provisions for liabilities

	2025	2024
	£000	£000
At 1 April	675	1,005
Utilised during the year	(142)	(386)
Additional amounts provided	22	56
At 31 March	<u>555</u>	<u>675</u>
Current	266	386
Non-current	<u>289</u>	<u>289</u>

23. Issued share capital

	2025	2025	2024	2024
<i>Authorised</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Ordinary shares of £1 each	198,478,624	<u>198,479</u>	198,478,624	<u>198,479</u>
Ordinary shares of €1 each	2,373,000,000	<u>2,002,884</u>	828,000,000	<u>679,702</u>
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Ordinary shares of £1 each	198,478,624	<u>198,479</u>	198,478,624	<u>198,479</u>
Ordinary shares of €1 each	2,373,000,000	<u>2,002,884</u>	828,000,000	<u>679,702</u>
	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
At 1 April	1,026,478,624	878,181	1,026,478,624	878,181
Issue of ordinary share of €1 each	1,545,000,000	1,323,182	-	-
At 31 March	<u>2,571,478,624</u>	<u>2,201,363</u>	<u>1,026,478,624</u>	<u>878,181</u>
		2025		2024
		£000		£000
Shares classified as shareholders' funds		<u>2,201,363</u>		<u>878,181</u>

On 29 May 2024, the authorised, allotted and fully paid share capital was increased by £1,323,181,803 following the issue of 1,545,000,000 ordinary shares of €1 each to Hitachi, Ltd at par.

Notes to the financial statements

for the year ended 31 March 2025

24. Pension

The Company operates a defined contribution scheme. Company contributions to the scheme in the year to 31 March 2025 were £10,900,344 (2024 - £10,223,287). There were no unpaid or prepaid amounts at 31 March 2025 (2024 – £nil).

In November 2018, certain members of staff transferred into the Company through a TUPE arrangement, whereby the obligations of the employee's terms and conditions are transferred to the Company. The Company is the Designated Employer for a Shared Cost section of the Railways Pension scheme, a defined benefit scheme. The assets of this section are held in a separate trustee administered fund which is independent of the Company's finances and the scheme's investment strategy is decided by the trustees, in consultation with the employer.

Upon completion of the TUPE transfer, the Company recognised costs in relation to past and current service costs and the associated defined benefit obligation. The values used in the Company's financial statements are based on the most recent actuarial valuations as calculated by a qualified independent actuary to incorporate the requirements of IAS 19 'Employee Benefits' in order to assess the liabilities of the defined benefit scheme as at 31 March 2025 using the projected unit credit method.

(i.) Recognition in the Income Statement and Statement of Comprehensive Income

Service Cost:	2025 £000	2024 £000
-Costs relating to defined contribution schemes	10,900	10,223
-Current service cost relating to defined benefit schemes	1,598	1,824
-Net Interest (Income)/Cost	(734)	(489)
-Scheme Administration Costs	65	144
Recognised in the Income Statement	11,829	11,702
Re-measurements of the Defined Benefit Obligation:		
-Losses/(Gains) on Plan Assets	3,655	(1,688)
-Actuarial gains arising from changes financial assumptions	(5,397)	(1,010)
-Actuarial gains arising from changes demographic assumptions	(35)	(439)
-Actuarial (gains)/losses due to member experience	(486)	934
Recognised in the Statement of Comprehensive Income	(2,263)	(2,203)

(ii.) Recognition in the Balance Sheet

The Company's net defined benefit post-retirement scheme's deficit at 31 March, which has been recognised in the Balance Sheet, was as follows:

	2025 £000	2024 £000
Present value of defined benefit obligation	(28,677)	(32,155)
Fair value of plan assets	45,019	45,196
Net recognised surplus in plans before deferred tax	16,342	13,041
Net related deferred tax liability	(4,086)	(3,260)
Net recognised surplus in plans after deferred tax	12,256	9,781

Notes to the financial statements

for the year ended 31 March 2025

24. Pension (continued)

(iii.) Financial and Demographic Assumptions

Financial Assumptions

The key financial assumptions used in the calculation of the defined benefit cost and the value of the defined benefit obligation are below. The defined benefit obligation was calculated based on assumptions at the end of the period.

	31 March 2025	31 March 2024
	% p.a.	% p.a.
Discount rate	5.96	5.09
Inflation (RPI)	3.09	3.13
Inflation (CPI)	2.86	2.88
Pensionable salary growth	3.23	3.79
Pension increases:		
-in deferment	2.86	2.88
-in payment	2.83	2.85

Demographic Assumptions

The post-retirement mortality assumptions used in valuing liabilities of the scheme are consistent with those adopted at 31 March 2024 except for projections of future mortality improvements where the CMI 2023 core projections model (published April 2024) has been used with a long-term improvement rate of 1.25% p.a.

Sensitivity Analysis

An increase by 0.10% in the named financial assumptions above would have the following effect on the defined benefit obligation:

	Impact on defined benefit liability Increase by 0.10%
	% p.a.
Discount rate	(1.70%)
Inflation (CPI)	+1.20%
Pensionable salary growth	+0.50%
Pension increases:	
-in deferment	+0.20%
-in payment	+1.00%

The key demographic assumption that can be expected to change is the long-term rate of improvement of 1.25% p.a.. A 0.25% increase in the long-term rate of improvement would result in a 1% increase to the defined benefit liability

The above sensitivity analysis was derived through the changing of one individual assumption while holding all other assumptions constant.

Notes to the financial statements

for the year ended 31 March 2025

24. Pension (continued)

(iv.) Reconciliation of the Defined Benefit Plan

The movements in the defined benefit scheme's obligation during the financial year was:

	2025 £000	2024 £000
Present value of the defined benefit obligation at the beginning of the financial year 1 April	(32,155)	(30,094)
-Current service cost	(1,598)	(1,824)
-Interest cost	(1,596)	(1,531)
-Employee contributions	(845)	(916)
-Benefits paid from section	1,664	1,839
-Administrative expenses	(65)	(144)
-Actuarial gains arising from changes in financial assumptions	5,397	1,010
-Actuarial gains arising from changes in demographic assumptions	35	439
-Actuarial gain/(losses) due to member experience	486	(934)
Present value of the defined benefit obligation at the end of the financial year 31 March	(28,677)	(32,155)
Fair Value of plan assets at the beginning of the financial year 1 April	45,196	39,317
-Interest income	2,330	2,020
-Employer contributions	1,967	3,094
-Employee contributions	845	916
-Benefits paid from scheme	(1,664)	(1,839)
-(Losses)/Gain on Plan Assets	(3,655)	1,688
Fair value of plan assets at the end of the financial year 31 March	45,019	45,196

The fair values of each of the categories of the pension scheme's assets are as follows:

	31 March 2025 £000	31 March 2024 £000
Pooled fund		
-Growth pooled fund	41,193	41,270
-Private equity pooled funds	1,058	1,188
-Illiquid growth pooled fund	2,764	2,731
-Infrastructure pooled fund	4	7
Fair value of scheme assets	45,019	45,196

(v.) Funding for defined benefit scheme

In line with requirements under the Pension Act 2004, the Company is required to hold sufficient and appropriate assets to cover its "technical provisions". These provisions are determined on a triennial basis following agreement between the Company and the trustees of the Scheme, the date of the most recent triennial valuation for the scheme was 31 December 2022. Any shortfall in assets covering technical provisions are required to be remedied and a recovery plan is agreed between the trustees of the scheme and the Company in the form of a Schedule of Contributions signed by both parties.

Funding for the defined benefit scheme is carried out by cash contributions from the Company. Employer contributions to the scheme for the year ending 31 March 2026 are expected to be £2,396,420.

Notes to the financial statements

for the year ended 31 March 2025

25. Cash generated from operations

	2025	2024
	£000	£000
Profit for the year	55,170	56,359
Adjustments for:		
Finance and other similar costs	71,463	41,923
Finance and other similar income	(1,185)	(762)
Depreciation of property, plant and equipment	3,820	3,563
Amortisation of intangible assets	1,793	1,618
Gain on disposal of property, plant and equipment	(235)	-
Derecognition of property, plant and equipment	292	282
Impairment of tangible and intangible assets	89,624	-
Dividends Received	(173,555)	(86,716)
(Gain)/Loss on disposal of investment	(4)	34
Gain on sale of business	(5,699)	-
Income tax	3,161	7,310
Foreign exchange loss	1,989	-
Operating cash flows before movements in working capital	46,634	23,611
Movement in working capital		
Decrease in inventories	38,008	17,511
Increase in trade receivables and other assets	(295,165)	(24,113)
Decrease in trade accounts payable and other liabilities	(13,360)	(84,464)
Cash generated from operations	(223,883)	(67,455)

Notes to the financial statements

for the year ended 31 March 2025

26. Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the financial year (for information regarding outstanding balances at 31 March 2024 and 31 March 2025, refer to notes 15 and 17).

		<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>
		£000	£000	£000	£000
Entity with significant influence over the Company and other subsidiaries:					
Hitachi, Ltd	2025	(1)	31,260	64	10,486
	2024	384	27,429	485	15,409
Hitachi Rail STS SpA and its subsidiary companies.	2025	1,361	47,311	21,859	46,860
	2024	195	53,661	19,602	33,573
Hitachi Rail GTS Holding Limited and its subsidiary companies	2025	-	196	332	65
	2024	-	-	-	-
Other related parties	2025	94,123	77,335	16,709	4,948
	2024	91,997	53,987	16,744	8,444
Joint venture:					
Agility Trains West (Holdings) Limited and its subsidiary companies and Agility Trains East (Holdings) and its subsidiary companies and Rock Rail East Midlands (Holdings) 1 Limited and its subsidiary companies	2025	492,784	-	106,876	-
	2024	454,390	-	36,941	-

Year end balances arising from loans to / from related parties

	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
	£000	£000
Hitachi Europe Ltd	101,392	298,017
Hitachi International Holland B.V.	-	1,013,600
Hitachi Rail GTS Holding Limited	-	52,534

The amounts outstanding are unsecured and will be settled in cash, no provisions for doubtful debts have been made in respect of the amounts owed by related parties.

Notes to the financial statements

for the year ended 31 March 2025

26. Related party transactions (continued)

The ultimate parent of the Company is Hitachi, Ltd and is based and listed in Japan.

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2025 the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2024 – £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.

27. Guarantees

The Company's guarantee portfolio is mainly made up of guarantees given as part of commercial initiatives in favour of customers/ third parties (Commercial Guarantees), which represent a key asset of the Company as they are preparatory to participation in tenders and the fulfilment of the main contracted obligations entered into by the Company (enabling the contracts awarded to enter into force or to be managed on a 'whole life' basis).

They are rendered, either directly or through consortia, and are corporate in nature, mainly by first- and second-tier (parent company guarantees) or banking/ insurance companies.

Due to their complex nature, the guarantees not directly associated with an underlying business deal and granted to tax agencies, financial institutes, etc., should also be mentioned.

Below are the guarantees in place in the Company as at 31 March 2025:

Direct guarantees and indemnities for guarantees given by third parties on behalf of the Company in favour of principals and other third parties (GBP/million)	£
Project Guarantees issued by Hitachi Limited (Parent Company Guarantees), in favour of principals/ clients for commercial operations	4,270.79
Project Guarantees issued by Hitachi Rail Limited (Parent Company Guarantees), in favour of principals/ clients for commercial operations (1)	1,001.81
Financial Guarantees issued by Hitachi Rail Limited (Parent Company Guarantees), in favour of principals/ clients for commercial operations	1,025.61
Sureties and bonds (advance payment bonds, performance bonds, bid bonds, retention bonds, counter-guarantees and other minor ones) issued by credit institutions or insurance companies in favour of principals/third parties for commercial transactions	733.38
<i>of which are counter-guaranteed by Hitachi Limited</i>	<i>507.32</i>
<i>of which are counter-guaranteed by Hitachi Rail Limited</i>	<i>226.06</i>
Total	<u>7,031.59</u>

(1) Total net value of PCGs, gross value is £1,504m which includes £502M counter-guaranteed by Thales, in connection with the replacement of PCGs for existing projects by Hitachi Rail Limited following the acquisition of Thales GTS.

Notes to the financial statements

for the year ended 31 March 2025

28. Cash and Cash Equivalents

Our total cash and cash equivalents presented in the statement of cash flows, was as follows:

	2025	2024
	£000	£000
Cash at bank and in hand	676	410
Short-term pooling deposits	101,392	140
Cash and cash equivalents as presented in the statement of financial position	<u>102,068</u>	<u>550</u>

29. Dividends paid

	2025	2024
	£000	£000
Dividends paid	<u>56,359</u>	<u>106,881</u>

A dividend of £56,359,000 was paid on 19 March 2025 to the company's immediate and ultimate parent company, Hitachi, Ltd., representing £0.02 per share (2024: dividend of £106,881,000 paid representing £0.1 per share).

30. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking and controlling party and the parent undertaking of the largest group which includes the Company and for which group financial statements are prepared, is Hitachi, Ltd. The group financial statements of this group are available to the public and may be obtained from:

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

31. Events since the balance sheet date

On 13 May 2025, the company made a capital injection in Hitachi ZeroCarbon Limited of £5,000,000, increasing the book value of the investment to £24,993,501.