Hitachi Energy UK Limited

Reports and Financial Statements

31 March 2024

Registered number: 02985756

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Registered No. 02985756

Company Information

Directors
MJ Hasnip
LAO Fleming
CL Roberts

Secretary
CL Roberts

Auditors
Ernst & Young LLP
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Birmingham
B4 6HQ

Bankers
Deutsche Bank AG, London Branch
Corporate & Investment Bank
Winchester House
1 Great Winchester Street
London
EC2N 2DB

Solicitors
Stephenson Harwood LLP
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London
EC2M 7SH

Registered Office
Oulton Road
Stone
Staffordshire
ST15 0RS
United Kingdom

Strategic Report

The Directors present their Strategic Report of Hitachi Energy UK Limited ("the Company") for the year ended 31 March 2024.

Results and dividends

The results for the year are set out on page 16. The profit after taxation for the financial year amounted to £8,197,000 (2023: £5,303,000 profit after taxation).

The Company did not pay a dividend in respect of 2024 (2023: £nil).

Principal activities and review of the business

The principal activity of the Company during this year was the provision of energy infrastructure solutions for a secure and energy-efficient network, as well as efficient power generation and transmission within the UK. The market has grown due to increasing productivity within the industrial, commercial, and utility sector operations, as well as the development and servicing of Enterprise Software solutions that deliver asset care and maintenance.

The Company's immediate controlling party is Hitachi Energy Ltd (or "the Hitachi Energy Group"), a company incorporated in Switzerland, and the ultimate parent company is Hitachi Ltd, incorporated in Japan. On 30 September 2022, the 19.9% shares owned by ABB were part of a share transfer agreement, and by 28 December 2022, the Hitachi Energy Group was wholly owned by Hitachi, Ltd.

The Company's key performance indicators during the year were:

	Year ended 31 March 2024 £'000	*Year ended 31 March 2023 £'000*	*Change %*
Turnover	273,408	212,537	28.6%
Operating profit from continuing operations	8,253	4,436	86.0%
Net Assets / Shareholder's funds	16,250	8,053	101.8%

The turnover in the 12 months to 31 March 2024 was £273,408,000 which reflected an increase of 28.6% above the prior year's turnover of £212,537,000.

The increase in turnover is a direct result of projects moving from the execution stage to the delivery stage and the continued growth within all of the Company's business units. The Company has successfully delivered on many projects and delivered a strong financial performance within all business units; Grid Integration, Grid Automation, Transformers and High Voltage. The most notable area of growth has been in the High Voltage Direct Current ("HVDC") business within Grid Integration.

The increase in volumes and margins across all sectors, along with an improved supply chain and business operation efficiencies, has driven the improvement in financial performance. The order pipeline is very healthy and the Directors are confident that this will continue to grow over the foreseeable future, as the market for renewable energy is at the forefront of the drive for Net Zero, and the business is well positioned to support this growth.

The Group has invested in a new enterprise resource planning ("ERP") solution, SAP4Hana, which will enable a more streamlined operation and will deliver additional benefits to the business. This, alongside the relocation of the head office to central Birmingham and the planned new operational facility in Stafford, demonstrates the Hitachi Energy Group's commitment to the UK operations. This will see the Company well positioned to take advantage of its place as a leading player in the UK market.

The Company is confident that the emerging opportunities that have materialised this year will continue and that the improvement in profitability will be maintained.

Strategic Report (continued)

Principal activities and review of the business (continued)

This growth in business has been facilitated by the embedding of a go-to-market approach and the development of the front-end sales organisation to support the expected market opportunities in the grids and renewables business segments.

Risks and Uncertainties

The principal risks and uncertainties facing the Company in the UK are in the areas of market competition, operational delivery, safety and finance. The Company was extremely diligent in managing the risks faced by the Covid 19 pandemic and now sees this risk as being minimal to its activities and employees going forward.

Current global economic uncertainty, including the impact of increasing inflation, presents a risk to the business. The Company is continuously assessing the impact of this on its supply chain and on its customers, and is working hard to mitigate any pricing impacts.

Competitive pressures in the UK market are a continuing risk. The Company manages this risk by putting customers first and by ensuring it provides the best value. Risk reviews are performed by management to address all commercial, operational and financial aspects of business opportunities, and projects in execution.

The Company expects the orders to increase at least in line with the market growth, and the recruitment plan needed to deliver this growth is significant. This presents a resource risk on the business given the availability of qualified resource in the UK.

The Company engages in large and complex projects which span for more than a year. These projects are exposed to risks, which are identified and evaluated at each project level. Hence, the projects may see deviations from their planned calculated cost as compared to actual costs incurred. This can be seen in projects with new technology that has never been executed before. In addition, there are risks of unforeseeable project-related changes in financial problems of customers, cost overruns or contractual penalties due to delays or unexpected technical problems, critical personnel shortages, quality requirements, effects of the legal or political environment, unforeseen developments at the project sites, performance problems with suppliers, contractors and consortium partners, or logistical difficulties. These could lead to significant increases in actual project costs, negatively affecting the performance of projects and having a material adverse effect on the business, financial position, and results of operations.

In certain cases, these risks also could lead to disputes. To address those risks, the Hitachi Energy Group have established a separate group to monitor risk assessment and tender approval process for bid submission, a standardized process for project execution, educational guidance to systematically improve the capabilities of our project management personnel as well as a continuous improvement programme focused on past experiences, in order to prevent project failures or mismanagement.

Health and Safety

HSE factors always come first in the decisions made by the Directors and Company. Safety is fundamental to the Company's license to operate and is committed to minimise the risk of harm and is determined to eradicate fatalities, life-changing injuries, and major environmental incidents. The Life Saving Rules are the Company's flagship safety program to protect all those who work on the tasks which have the highest potential risk. All staff are trained in the Life Saving Rules to reduce the risk of failure to comply with these, best practice or legislative standards which would have a material impact on the Company's and its employees.

The Company actively manages the health, safety, and environment (HSE) aspects of all its activities. Performance in these areas is integral to the Company's Sustainability 2030 plan and to delivering the purpose of advancing a sustainable energy future for all. The Directors see these as vital to the 'license to operate' and to making the Company attractive as an employer as well as a business with which others – customers, suppliers, and partners – wish to work.

Strategic Report (continued)

Sale of the Head Office in Stone and Lease / Purchase of Office Space

As part of the Company's project "Inspire" and in line with the real estate strategy, the Company is actively marketing for sale the head office facility in Oulton Road, Stone, ST15 0RS, Staffordshire. The Company has opened a new office within the Birmingham city centre at Alpha Tower, Floor 24, Suffolk Street Queensway, Birmingham B1 1TT, and is in the process of assessing further facilities required to deliver 'a sustainable energy future for all'.

Geopolitical Instability

The current geopolitical instability within the Middle East, Russia and Ukraine does not have a significant impact on the Company's UK business directly. The overall impact of this situation on the wider economy, including inflation and sourcing of key materials is being monitored closely by the Directors who continue to adopt strategies to minimise the resultant impact on the Company.

Project Reiwa

The roll out of the new Global ERP, SAP4Hana, successfully went live in October 2023. The implementation was successful thanks to the hard work and commitment of the Company's employees supported by the strong organisation of the REIWA project team. The benefit of the new updated SAP platform will be felt throughout the business and will continue to enable the Company to deliver best value to our customers.

Going Concern

The Financial Statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors are confident that the financial performance of the legal entity will continue to generate cash and will improve as it has over the past 3 years. This, along with the strong pipeline of orders, provides confidence in the going concern of the entity. In addition to this, the Directors have obtained confirmation that, if required, additional funding will be provided by the Company's immediate parent company, Hitachi Energy Ltd, to meet its liabilities as they fall due for a period of 12 months from the date of approval of these Financial Statements. As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these Financial Statements, they have no reason to believe that it will not do so.

As at 31 March 2024, the Company has made £31.6m of deposits to Hitachi Treasury. The Company has no available credit facilities. Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for 12 months from the date of approval of the Financial Statements and therefore have prepared the Financial Statements on a going concern basis.

In considering the ability of Hitachi Energy Ltd to provide the support to the Company for going concern purposes, the Directors have confirmed that the Group have also evaluated this situation and there is no significant impact on the Group's ability to support the Company for going concern purposes.

Section 172 Statement

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

Strategic Report (continued)

Section 172 Statement (continued)

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

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

- Providing business support services to other Hitachi Energy Group businesses in Europe
- Supplying business products and services to external customers

The Company therefore considers its key stakeholder groups to be:

- Employees
- Customers, Suppliers and Partners
- Community, Society and Environment
- Shareholders

Employees

The Directors recognise that the Company's employees are key to the business success. Recognising that part of being a successful business involves effective engagement with employees, understanding and listening to the issues that affect them. The Company undertakes a regular employee survey. The survey provides a point in time view of, and allows the tracking of, employee satisfaction. Questions related to employee satisfaction include training, work life balance, support and facilities. The Employee Survey results are reviewed by the Directors, and it has been agreed that areas of importance to employees will be reviewed at future Board meetings.

Integral to the Company's business strategy are diversity, equity and inclusion. As a modern and progressive Company, we believe that the best ideas can come from anyone, anywhere - and everyone can make a difference. This belief and outlook are nurtured by the leadership philosophy. The Company works closely with leaders to cultivate and reinforce the right leadership 'role model' behaviours - exploring topics such as 'unconscious bias' and equipping leaders with the skills and support to energise their teams to give their best.

Diversity + Collaboration = Great Innovation at Hitachi Energy UK Limited. The Company lives by this powerful equation. Together with customers and partners, it is advancing a sustainable energy future for all. We will only recognise this future when everyone has a seat at the table in an inclusive, collaborative culture.

The business heavily invested in Workday in financial year 2023, to provide an improved Human Resources system for all employees and managers. This is subject to continuous improvement annually.

Customers, Suppliers and Partners

The customers' requirements are at the heart of everything the Company does. Open collaboration and customer focus are key dimensions of our Company's culture. Wherever they are in the world, our experts thrive on 'teaming up' to co-create impactful solutions that deliver customer success and societal progress. Engrained in our behaviour norms and values, collaboration enables us to bring together the best expert teams to ideate, incubate, design, test, pilot and deliver solutions that solve customer needs and create even more value - social, environmental and economic.

Our culture continues to be organically shaped by the Company's talented experts who, together with customers, partners, academia and other research bodies, are pioneering and co-creating the next generation of sustainable solutions. Together, we work and think globally, providing technical solutions that span cities, countries, and continents. We power the world's largest wind farms, bring energy to mass transportation systems, and protect our biggest cities from blackouts. Such purposeful innovation fuels our passion and drives us forward.

Strategic Report (continued)

Community, Society and Environment

Together with customers, partners and other key stakeholders, the Company accelerates the energy transition through innovative technologies towards a carbon-neutral future.

By 2050, green electricity will be the backbone of our entire energy system and the Company is committed to co-creating a sustainable energy future for the current generation and those to come.

Through Sustainability 2030, the Company aims to achieve carbon-neutrality in its our own operations by 2030. In addition, we target to reduce our emissions along the value chain by 50% with customers, partners, and suppliers, supporting Sustainable Development Goals ("SDG") 7 'Affordable and Clean Energy' and aligned with the Paris agreement to limit global warming to 1.5 degrees.

The Company's ambition reaches beyond carbon-neutrality. We are working to reduce waste – along with our consumption of precious resources, including materials and freshwater. We will support 'Clean Water and Sanitation' (SDG 6) and 'Responsible Consumption and Production' (SDG 12) through circularity.

In 2021, the Company launched EconiQ™. This is the Group's eco-efficient portfolio where products, services and solutions are proven to deliver exceptional environmental performance. The EconiQ™ portfolio is sustainability-oriented in design to deliver a superior environmental performance compared to conventional solutions.

Following its launch in 2021, the Company is continuing to expand and develop the EconiQ™ portfolio of products, services and solutions. The eco-efficient portfolio for sustainability uses game-changing technology continuing to reinforce our commitment to a carbon-neutral energy future and to reduce carbon footprint throughout the entire lifecycle. The new gas mixture of the EconiQ™ range delivers the reliability of our proven switchgear range, with a global warming potential ("GWP") of less than 0.01% percent. The new gas helps to reduce the carbon footprint of the power grid and will stepwise complement our existing portfolio.

Shareholders

Shareholders have an interest in the performance of the business, as well as good governance.

Formal monthly performance reviews take place, with formal reports submitted to Group. This incorporates reviewing financial performance, safety, customers, people and supply chain topics.

The Board uses these review meetings to reflect upon past and future developments and requirements from Group.

Approved by order of the Board

DocuSigned by:
Claire Roberts
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CL Roberts
Company Secretary
27 June 2024

Directors' Report

The Directors submit their Report and the audited Financial Statements for the Company for the year ended 31 March 2024.

Directors

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

MJ Hasnip
LAO Fleming
CL Roberts

Directors' Qualifying Third Party Indemnity Provisions

The Company has granted indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the Directors' Report.

Political and Charitable Donations

The Company made no charitable donations in the year ended 31 March 2024 (2023: £10,000). There was no political expenditure during the year (2023: £nil).

Disabled employees

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

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

Streamlined Energy and Carbon Reporting ("SECR")

Our Greenhouse Gas ("GHG") emissions are reported in tonnes of carbon dioxide equivalent ("tCO2e"), for the period 1st April 2023 to 31st March 2024.

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

We have used the latest Defra emissions factors, and our gross emissions tool in the table below applying the 'location based' accounting methodology for grid emissions.

We have chosen the intensity measure gross emissions in tCO2e per square meter as our activity is predominately office based.

Directors' Report (continued)

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

Company's Consumption and Associated Greenhouse Gas Emissions		
Consumption	2023/24	2022/23
Total Energy Consumption (Electricity) (kWh)	834,268	784,712
Total Energy Consumption (Gas) (kWh)	0	0
Total Vehicle Fuel Consumption (kWh) [1]	46.575	42.679
Emissions	2023/24	2022/23
Emissions from Combustion of Fuel - Gas (Scope 1) (tCO2e)	0	0
Emissions from Business Travel - Company Owned (Scope 1) (tCO2e)	205.053	94.445
Emission from Electricity Purchased for Own Use - Company Owned (Scope 2) (tCO2e)	172.755	151.784
Emissions from Business Travel - Rental or Employee Owned (Scope 3) (tCO2e)	1,448.257 [2]	938.916 [2]
Total Annual Gross Emissions	1,826.065	1,185.109
Total Annual Net Emissions	1,826.065	1,185.109
Annual GHG Intensity Measure (tCO2/unit)	2023/24	2022/23
GHG Emissions tCO2e/sqm	0.118	0.076

[1] Assumption made that hybrid vehicles are petrol fuel for conversion to kWh.

[2] Scope 3 has been expanded to incorporate additional non-mandatory reporting.

Sustainability is integral to our business. We are committed to all the UN Sustainable Development Goals ("SDGs") and to make significant contribution to 8 of the SDGs. '**Sustainability 2030**' is our new strategic plan for sustainability where we summarise the main commitments to act and drive business in a sustainable way. Based around four pillars: **Planet, People, Peace and Partnership**, our strategy draws from the UN's Sustainable Development Goals, where each pillar has corresponding targets that drive our business to contribute social, environmental and economic values.

Planet (SDG 6,7,12). By 2030, we will achieve carbon-neutrality in our own operations. We are working towards reducing carbon emissions by 50% along the value chain, and reducing waste – along with our use of precious resources, like water.

People (SDG 3,4,5). Sustainability is about people. We are nurturing an inclusive culture and enabling all our people to thrive and give their best. We are fostering life-long learning and believe that diversity plus collaboration equals great innovation. We call this Diversity 360.

Peace (SDG 16). We promote peaceful, inclusive and sustainable societies. Everything we do is based on Safety, Integrity and Quality – our license to operate.

Partnership (SDG 17). Together with customers and partners, we are co-creating innovative technologies and building a flexible, resilient, reliable and sustainable energy system. We are accelerating the energy transition.

For the reporting period the following sustainability improvement measures have been identified and implemented including:

- The formal recognition and approval of the Hitachi Energy's global targets by leading independent experts SBTi, to ensure the company targets align with the goals of the Paris Agreement for limiting global warming to 1.5°C above pre-industrial levels and in alignment with the latest climate science
- Hitachi Energy has been recognised with a gold award by EcoVardis, a leading sustainability assessment specialist. This places the company in the top 5% of the 125,000 global companies assessed across: labour and human rights, ethics, sustainable procurement, and environment

Directors' Report (continued)

Streamlined Energy and Carbon Reporting (SECR) (continued)

- Hitachi Energy has been annual assessed by CDP (Carbon Disclosure Project) and awarded an A- for our efforts on climate change in 2023. This places Hitachi Energy in CDP's 'leadership band' of organisations implementing current best practices – significantly ahead of the C- rating average for the electrical and electronic sector
- Promotion of Sustainability 2030 strategic plan for transitioning to carbon neutrality across the business and further embedding SDGs in company Policies and Targets
- Hitachi Energy also publishes an annual Sustainability Report to disclose further details on the company's initiatives to deliver the sustainability strategy and targets across business operations.
- Awareness and emphasis of the importance of addressing climate change through emissions reduction through embedding of the Sustainability 2030 strategic plan in company Policies and Targets
- The Hitachi Energy UK specifically is sustaining flexible working practices, encouraging hybrid working and use of Augmented Reality headsets and technology (for virtual conference, audits and Factory Acceptance Tests) to reduce carbon associated with business travel
- Making fully electric vehicles more affordable to employees, through Arval Ignition salary sacrifice scheme
- Estate rationalisation, resulting in plans to decommission the existing Stone office site and utilise fit-for-purpose energy efficient office alternatives that are more easily accessible by public transport

Following on from the period of societal recovery and removal of governmental Covid-19 security measures, Hitachi Energy has adopted a hybrid style of working. Employees within the UK have had their employment contracts reviewed and, where appropriate, re-issued to state 'home-based', entitling them to claim travel expenses for travelling for work into the office. This strategic management decision was made to ease the financial pressures of country economic recession and inflation of transport costs, ahead of the Head Office relocating from rural Staffordshire to Birmingham city centre.

Overall GHG emissions have increased YoY (0.041 tCO2e/sqm). This may be partially accounted for by an increase in headcount, as part of the 'Super Growth Plan' to expand operations to help meet the demands of the industry (i.e. UK Net Zero targets, increasing electrification, grid expansion and network connections, increasing dependency on renewable energy sources, battery energy storage, etc.). As a result of greater collaboration within the office, energy consumption on site has increased by 6.3% YoY (with an additional 49556 kWh or 21.007 tCO2e YoY). It is anticipated that energy consumption shall decrease in the coming 18 months, as the Stone office site is decommissioned, in favour of more energy efficient office locations being sourced.

Advances have been made in reducing emissions associated with rented and employee-owned vehicles, with a 126.785 tCO2e (34%) overall reduction. Despites savings in some areas, overall business travel has increased YoY. As construction site activity has expanded in line with continued wider industry recovery, Scope 1 emissions of commercial vehicles used by Service Engineers across the business have increased by 91.8% YoY. The largest contributor to Scope 3 emissions is air travel, which has increased by 56%; returning to pre-Covid levels. Whilst international travel has increased, domestically our commitment to transitioning to lower carbon travel alternatives is demonstrated with greater employee participation in the Arval Ignition Scheme, with a 244.3% increase in electric vehicle miles travelled.

Electricity purchased remains a significant contributor to the Company's carbon footprint and an area of focus for targeted reduction, which shall be achieved through continuation of estate rationalisation and relocation. The largest area of focus is business travel. This shall be addressed through greater adoption of digital technologies to prevent travel (whilst maintaining collaboration and engagement) and continuing to embrace lower carbon alternative means, where travel is unavoidable.

Directors' Report (continued)

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 3.

Engagement with suppliers, customers and others is set out in the Strategic Report above on pages 3 to 7.

Auditor

Ernst & Young LLP will be seeking re-appointment as auditors at the forthcoming Annual General Meeting A resolution to appoint the Company's auditor will be put to the forthcoming Annual General Meeting.

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 they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by order of the Board.

DocuSigned by:
Claire Roberts
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CL Roberts
Company Secretary
27 June 2024

Statement of Directors' responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable United Kingdom laws and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 FRS 101 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;
- in respect of the Company's Financial Statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is appropriate to presume that the Company will not 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 Company's 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and Directors' Report that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HITACHI ENERGY UK LIMITED

Opinion

We have audited the financial statements of Hitachi Energy UK Limited ("the Company") for the year ended 31 March 2024 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 22, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice) ("FRS 101").

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

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.

Independent auditors' report (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, 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.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its domestic and overseas operations, including health and safety, employees, data protection and anti-bribery and corruption.

Independent auditors' report (continued)

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

- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance. We corroborated those enquiries through our review of board minutes. We also reviewed correspondence with relevant authorities. There was no contradictory evidence.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of assessment performed by management, understanding the controls in place to mitigate fraud and considering which areas may be most susceptible to the risk of management override. We also performed risk assessment analytical procedures and identified sources and types of journals in the Company's financial processes. Any fraud risk factors identified were evaluated to identify risk of material misstatement due to fraud. We did not identify any materials risk due to fraud, other than the presumptive risk of material misstatement due to fraud in respect of revenue recognition and management override in respect of manual out of book adjustments.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations, including in respect of fraud. Our procedures involved using data analytic approaches to identify any unusual entries, including any in the revenue process and obtaining evidence that those journals are authorised, supported by appropriate documentation and have been accounted appropriately. For revenue recognised over time, we inspected contracts with customers, considered management's estimates of costs to complete each contract and checked that revenue had been correctly calculated based on the percentage of completion method. We tested specific transactions back to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions. These procedures were designed to provide reasonable assurance that Company's financial statements were free from material misstatement due to fraud.

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.

DocuSigned by:

Ernst & Young LLP

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James Golder (Senior statutory auditor)

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

Birmingham, United Kingdom

27 June 2024

At 31 March 2024

Profit and Loss Account for the year ended 31 March 2024

	Notes	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
TURNOVER	3	273,408	212,537
Cost of sales		(208,403)	(160,962)
GROSS PROFIT		65,005	51,575
Selling and distribution expenses		(19,421)	(17,046)
Administrative expenses		(37,331)	(30,093)
OPERATING PROFIT	4	8,253	4,436
Interest income	6	1,297	893
Interest expense and similar charges	7	(96)	(64)
PROFIT BEFORE TAXATION		9,454	5,265
Tax (charge) / credit	8	(1,257)	38
PROFIT AFTER TAXATION		8,197	5,303
Other comprehensive income		-	-
TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD		8,197	5,303

All turnover and profit are from continuing operations.

The Notes on pages 19 to 33 form part of these Financial Statements.

Balance Sheet as at 31 March 2024

	Notes	31 March 2024 £'000	31 March 2023 £'000
FIXED ASSETS			
Tangible assets	9	7,784	6,366
Intangible assets	11	387	489
		8,171	6,855
CURRENT ASSETS			
Stock	12	5,994	2,679
Debtors	13	155,725	121,121
Cash at bank and in hand		1,080	2,421
		162,799	126,221
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	14	(145,362)	(117,414)
NET CURRENT ASSETS		17,437	8,807
Creditors: amounts falling due after one year	10	(1,473)	(1,842)
Provisions for liabilities	16	(7,885)	(5,767)
NET ASSETS		16,250	8,053
CAPITAL AND RESERVES			
Called up share capital	18	37,699	37,699
Capital reserve		4,291	4,291
Merger reserve		(8,509)	(8,509)
Profit and loss Account		(17,231)	(25,428)
SHAREHOLDER'S FUNDS		16,250	8,053

The Notes on pages 19 to 33 form part of these Financial Statements.

The Financial Statements of Hitachi Energy UK Limited, registered number 02985756 were approved on behalf of the board and authorised for issue on the date shown below.

Approved by the Board and signed on its behalf

DocuSigned by:

Matthew J Hasnip

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MJ Hasnip

Director

27 June 2024

At 31 March 2024

Statement of Changes in Equity for the year ended 31 March 2024

	Called up share capital	*Capital reserve*	*Merger reserve*	*Profit and Loss Account*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
At 31 March 2022	37,699	4,291	(8,509)	(30,731)	2,750
Profit for the year	-	-	-	5,303	5,303
At 31 March 2023	37,699	4,291	(8,509)	(25,428)	8,053
Profit for the year	-	-	-	8,197	8,197
At 31 March 2024	37,699	4,291	(8,509)	(17,231)	16,250

The Capital reserve was established on 14 July 2009 when the parent company at that time made a capital contribution of £4,291,000 to the Company.

This merger reserve has arisen from the difference in the nominal value of the shares issued and the book value of the assets transferred by ABB Limited to the Company in October 2019. In accordance with Group Reconstruction Relief this has been transferred to a merger reserve. The merger reserve is reviewed annually for impairment.

The Notes on pages 19 to 33 form part of these Financial Statements.

Notes to the Financial Statements

1. Authorisation of Financial Statements and Statement of Compliance with FRS 101

The Company is a private Company limited by shares (S. 396(A1)(c) of Companies Act 2006) and is registered in England & Wales.

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Financial Statements were approved for issue by the Board of Directors on 27 June 2024. The principal accounting policies adopted by the Company are set out in Note 2.

2. Accounting Policies

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 31 March 2024.

The Company has taken advantage of the following disclosure exemptions under FRS 101, as the results are included in the accounts of Hitachi Energy Ltd, the immediate parent company.

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share Based Payment, because the share-based payment arrangement concerns the instruments of another group entity;

(b) the requirements of IFRS 7 Financial Instruments: Disclosures

(c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement

(d) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  (i) paragraph 79(a)(iv) of IAS 1 Presentation of Financial Statements;
  (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  (iii) paragraph 118(e) of IAS 38 Intangible Assets; and

(e) the requirements of IAS 7 Statement of Cash Flows;

(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

(g) the requirements of paragraphs 10(d), 10(f), 16, 38(a) - 38(d), 40(a) - 40(d), 111 and 134 -136 of IAS 1 Presentation of Financial Statements;

(h) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) -134(f) and 135(c) -135(e) of IAS 36 Impairment of Assets;

(i) the effects of new but not yet effective IFRSs.

2. Accounting Policies (continued)

2.2 Going Concern

The Financial Statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors are confident that the financial performance of the legal entity will continue to generate cash and will improve as it has over the past 3 years. This, along with the strong pipeline of orders, provides confidence in the going concern of the entity. In addition to this, the Directors have obtained confirmation that, if required, additional funding will be provided by the Company's immediate parent company, Hitachi Energy Ltd, to meet its liabilities as they fall due for a period of 12 months from the date of approval of these Financial Statements. As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these Financial Statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for 12 months from the date of approval of the Financial Statements and therefore have prepared the Financial Statements on a going concern basis.

2.3 Judgements and key sources of estimation uncertainty

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for revenues and expenses during the year or period. However, the nature of estimation means that actual outcomes could differ from those estimates.

This does not mean that every accounting judgement should be disclosed. However, disclosure would be appropriate in cases where the accounting outcome is materially different dependent on the judgement taken. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the Financial Statements:

Revenue and margin recognition

Revenue and margin recognition on contracts are based on constraints on variable consideration, estimates of future costs and an assessment of technical and other risks.

Revenue is accounted for in accordance with IFRS 15 Revenue from contracts with customers. For most of the contracts, revenue and associated margin are recognised progressively over time as costs are incurred, and as risks have been mitigated or retired.

The ultimate profitability of contracts is based on estimates of revenue and costs, including allowances for technical and other risks, which are reliant on the knowledge and experience of the project managers, engineers and finance and commercial professionals. Material changes in these estimates could affect the profitability of individual contracts. Revenue and cost estimates are reviewed and updated at least quarterly, and more frequently as determined by events or circumstances.

The long-term nature of many of the Company's contracts means that judgements are made in estimating future costs on a contract as well as when risks will be mitigated or retired, which impacts when revenue and associated margin are recognised.

Construction contract debtors are presented as part of debtors in the Balance Sheet. If payments received from customers exceed the income recognised, then the difference is presented as part of creditors in the Balance Sheet.

2.4 Revenue recognition

The Company recognises revenue when it transfers the control over a good or service to a customer. The control is deemed to be transferred when the customer has the ability to direct the use of the asset or has the ability to obtain substantially all of the remaining benefits from that good or service.

2. Accounting Policies (continued)

2.4 Revenue recognition (continued)

Revenue is recognised on long term contracts over time as control is transferred. The basis used to determine the progress of the transfer of control is cost incurred as noted in Note 2.3 above.

Revenue is recognised on short term contracts and product sales at a point in time when the customer has control over substantially all the remaining benefits from the contract.

Revenue is recognised on service sales at the time the service has been rendered or in the case of period service contracts over the life of the contract.

2.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses if any.

Depreciation is provided on all tangible fixed assets, except for freehold land, at rates calculated to write off cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold buildings	- 15 to 50 years
Leasehold land improvements and buildings	- over the lease term
Machinery, equipment and vehicles	- 3 to 15 years

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.

2.6 Intangible fixed assets

Goodwill has an indefinite life and is tested annually for impairment. Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and the liabilities assumed in the business combination. 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 (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and cannot be larger than an operating segment before aggregation.

The costs of implementing major software are capitalised at cost. The cost is amortised on a straight-line basis over its useful economic life up to a maximum of 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

2.7 Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value, as follows:

Raw materials and goods for resale	- purchase cost on a first-in, first-out basis
Work in Progress and finished goods	- cost of direct materials and labour plus attributable overheads

2. **Accounting Policies (continued)**

2.8 *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance Sheet date. All differences are taken to the Profit and Loss Account.

2.9 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception that deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

2.10 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 Profit and Loss Account 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 Profit and Loss Account on a straight-line basis over the lease term.

Right-of-use assets and lease liabilities are included in Note 10.

2. Accounting Policies (continued)

2.11 Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

2.12 Provisions and Contingencies

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. If the possibility of the outflow of economic benefit is not probable but more than remote, a contingent liability is disclosed.

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

2.13 Merger Reserve

The merger reserve has arisen from the difference in the nominal value of the shares issued and the book value of the assets transferred by ABB Limited to the Company in October 2019. In accordance with Group Reconstruction Relief this has been transferred to a merger reserve. The merger reserve is reviewed annually for impairment.

3. Turnover and Segmental analysis

The turnover is stated net of value added tax and is attributable for the financial year from the provision of solutions for secure, energy-efficient generation, transmission and distribution of electricity as well as development, marketing and servicing of Enterprise Software solutions covering asset care and maintenance.

A geographical analysis of turnover is given below:

	2024	*2023*
	£'000	*£'000*
Within the UK	223,795	173,723
Rest of Europe	48,276	37,695
Rest of the World	1,337	1,119
	273,408	212,537

3. Turnover and Segmental analysis (continued)

An analysis of turnover by business segment is given below:

	2024	*2023*
	£'000	*£'000*
Grid automation	51,465	43,375
Grid integration	143,317	117,349
High voltage	41,924	26,469
Transformers	29,502	20,363
Central and Other	7,200	4,981
	273,408	212,537

The Grid automation and Grid integration segments above include contract revenues under IFRS 15.

An analysis of the operating profit / (loss) is given below:

	2024	*2023*
	£'000	*£'000*
Grid automation	811	(717)
Grid integration	9,722	5,619
High voltage	2,919	2,197
Transformers	(687)	(304)
Central and Other	(4,511)	(2,359)
	8,253	4,436

An analysis of net assets / (liabilities) is given below:

	2024	*2023*
	£'000	*£'000*
Grid automation	14,801	10,861
Grid integration	17,831	274
High voltage	14,018	9,260
Transformers	(1,460)	(1,251)
Central and Other	(28,940)	(11,091)
	16,250	8,053

Balances on contracts with customers

		Note	*2024*	*2023*
			£'000	*£'000*
Trade Receivables		13	43,212	24,214
Contract assets:	Accrued income	13	26,190	30,780
	Amounts recoverable on contracts	13	22,381	17,043
Contract liabilities:	Customer advances	14	58,673	58,235

The movement in contract asset and contract liability balances in the year are due to contract progression.

The trade receivables balance comprises of receivables from contracts amounting to £22,381,000 (2023: £17,043,000).

Accrued income comprises of unbilled revenue in respect of contracts.

Amounts recoverable on contracts relates to costs incurred in relation to unbilled work on contracts.

Customer advances relate to amounts due to third party customers for billings in excess of revenue and advances received in respect of work to be performed under contracts.

4. Operating Profit

Operating profit is stated after charging / (crediting):

	2024	*2023*
	£'000	*£'000*
Research and development costs	11,400	9,376
Depreciation of tangible fixed assets	1,480	954
Amortisation of intangible fixed assets	102	11
Auditor's remuneration	509	519
Net loss / (gain) on foreign currency translation	1,509	(270)

5. Directors' Remuneration and Staff Costs

	2024	*2023*
	£'000	*£'000*
Directors' Emoluments		
Pensions	40	38
Benefits in kind	42	25
Wages and salaries	559	782
	641	845

The highest paid Director's emoluments amounted to £248,335 (2023: £245,796) and pension contributions were £19,475 (2023: £2,264).

	2024	*2023*
	£'000	*£'000*
Staff Costs		
Wages and salaries	39,127	29,862
Social security costs	4,471	4,016
Other pension costs	4,463	4,009
	48,061	37,887

The average number of employees during the period was 479 (2023: 438):

	2024	*2023*
Consulting & customer support	106	106
Sales & marketing	55	66
Administration	109	90
Production	227	176
	497	438

6. Interest Income

	2024	*2023*
	£'000	*£'000*
Interest income from group undertakings	1,297	893

7. Interest Expense and Similar Charges

	2024 £'000	2023 £'000
Interest expense on leases (note 10)	(96)	(64)
	(96)	(64)

8. Taxation

Analysis of tax (charge) / credit for the year	2024 £'000	2023 £'000
Current taxation		
Current tax charge on profit for the year	(952)	-
Tax credit (overstated) / understated in prior year	(305)	38
	(1,257)	38
Deferred taxation		
Origination and reversal of timing differences	-	-
Tax on profit on ordinary activities	(1,257)	38

Factors affecting current tax credit:

The tax credit for the year differs from the standard rate of corporation tax in the UK of 25.00% (2023: 19.00%). The differences are reconciled below:

	2024 £'000	2023 £'000
Profit before taxation	9,454	5,265
Profit multiplied by standard rate of corporation tax in the UK of 25.00% (2023: 19.00%)	(2,364)	(1,000)
Expenses not deductible for tax purposes	(134)	(10)
Tax credit (overstated) / understated in prior year	(305)	38
Impact of differences in taxation rates	-	(142)
Deferred tax not recognised	(27)	-
Utilisation of brought forward losses	1,578	1,152
Total current tax (charge) / credit	(1,257)	38

The Company has tax trading losses arising and carried forward in the UK of £10,785,000 (2023: £14,790,000) which are available indefinitely for offset against future taxable profits of the businesses in which the losses originally arose.

The Company has future tax adjustments in the UK of £868,000 (2023: £1,224,000) relating to decelerated capital allowances, and of £1,045,000 (2023: £744,000) relating to other timing differences.

Deferred tax assets have not been recognised in respect of the above noted tax losses and other timing differences as there is insufficient positive evidence available to support the future recoverability of these assets – see Note 15.

8. Taxation (continued)

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 in certain countries and regions in which the Hitachi Group is engaged in business activities. For the year ended 31 March 2024, Hitachi Group revenues exceeded 750 million euro which is a threshold of the Pillar Two model rule. Moreover, revenues for the year ending 31 March 2025 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 Organisation for Economic Co-operation and Development (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 fillings of the Hitachi Group subsidiaries and country-by-country report and is performed by taking into account special factors and the impact of business combinations.

Based on this assessment, no Pillar Two income taxes have yet been levied in the UK. Hitachi Energy UK Limited assumes that the future potential impact on its net assets, financial position and results of operations will not be material.

In addition, Hitachi Energy UK Limited declares that it is exempt from the recognition of deferred tax assets and deferred tax liabilities arising from the laws implementing the Pillar Two Model Rules (Pillar Two Legislation) and from the exemption from the Disclosure of Information Regarding Such Deferred Taxes.

9. Tangible Fixed Assets

	Land & Buildings	*Machinery, Equipment & Vehicles*	*Assets under construc tion*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Cost:				
At 1 April 2023	6,483	3,304	1,227	11,014
Additions	1,506	1,517	888	3,911
Disposals	-	(556)	(1,004)	(1,560)
At 31 March 2024	7,989	4,265	1,111	13,365
Depreciation:				
At 1 April 2023	2,114	2,534	-	4,648
Charge for the year	541	939	-	1,480
Disposals	-	(547)	-	(547)
At 31 March 2024	2,655	2,926	-	5,581
Net Book Value:				
At 31 March 2024	5,334	1,339	1,111	7,784
At 1 April 2023	4,369	770	1,227	6,366

9. Tangible Fixed Assets (continued)

Freehold land amounting to £1,350,000 (2023: £1,350,000) is included in Land & Buildings.

Included in tangible fixed assets are right of use assets amounting to a net book value of £3,288,000 (2023: £1,853,000) and the analysis of these is given in Note 10 Leases.

10. Leases

The Company has entered into lease contracts in relation to its offices and vehicles used in its operations. Leases of motor vehicles have lease terms between 3-15 years, while office building have lease terms between 3-8 years.

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

	Buildings	*Machinery, Equipment and vehicles*	*Right of use assets Total*
	£000	*£000*	*£000*
Cost:			
At 1 April 2023	1,804	1,045	2,849
Additions	1,504	847	2,351
Disposals	-	(556)	(556)
At 31 March 2024	3,308	1,336	4,644
Depreciation:			
At 1 April 2023	356	640	996
Charge for the year	487	419	906
Disposal	-	(547)	(547)
At 31 March 2024	843	512	1,355
Net Book Value:			
At 31 March 2024	2,465	824	3,288
At 1 April 2023	1,448	405	1,853

Set out below are the carrying amounts of lease liabilities:

	Buildings	*Machinery, Equipment and vehicles*	*Total*
	£000	*£000*	*£000*
At 1 April 2023	1,782	490	2,272
Additions during the year	1,504	847	2,351
Interest	50	46	96
Payments	(776)	(536)	(1,312)
At 31 March 2024	2,560	846	3,406

10. Leases (continued)

Analysed as:	*2024* *£000*	*2023* *£000*
Current lease liability (Note 14)	1,933	430
Non-current lease liability	1,473	1,842
	3,406	2,272

The following are the amounts recognised in Profit and Loss account:

	Buildings *£000*	*Machinery, Equipment and Vehicles* *£000*	*Total recognised in Profit and Loss Account* *£000*
Short-term lease charges	-	337	337
Depreciation expense of right of use asset	486	419	906
Interest expense on lease liability	50	46	96
Year ended 31 March 2024	536	802	1,338

	Buildings *£000*	*Machinery, Equipment and Vehicles* *£000*	*Total recognised in Profit and Loss Account* *£000*
Short-term lease charges	-	238	238
Depreciation expense of right of use asset	363	346	709
Interest expense on lease liability	50	14	64
Year ended 31 March 2023	413	598	1,011

Future minimum rentals payable under non-cancellable leases:

	2024 *£000*	*2023* *£000*
Within one year	818	646
In two to five years	1,069	490
More than five years	1,932	494
	3,819	1,630

11. Intangible Fixed Assets

	Software *£'000*	*Goodwill* *£'000*	*Total* *£'000*
Cost:			
At 1 April 2023	668	874	1,542
Additions	-	-	-
At 31 March 2024	668	874	1,542
Amortisation/impairment:			
At 1 April 2023	179	874	1,053
Amortisation for the year	102	-	102
At 31 March 2024	281	874	1,155
Net Book Value:			
At 31 March 2024	387	-	387
At 1 April 2023	489	-	489

12. Stock

	2024 *£'000*	*2023* *£'000*
Work in progress	5,994	2,679
	5,994	2,679

Inventory is measured at the lower of cost and net realisable value in accordance with international accounting standard IAS 2 inventories.

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

Work in Progress relates to costs incurred in relation to unbilled work for service contracts.

13. Debtors

	2024 £'000	2023 £'000
Trade debtors (Note 3)	43,212	24,214
Amounts owed by group undertakings	60,145	46,995
Corporation tax	-	449
Prepayments and accrued income (Note 3)	29,972	31,824
Amounts recoverable on contracts (Note 3)	22,381	17,043
Other debtors	15	596
	155,725	121,121

Trade debtors and accrued income are stated after allowing for expected credit losses of £159,800 (2023: £136,380).

Included in amounts owed by group undertakings is an amount for £31,600,000 (2023: £42,000,000) which relates to short-term deposits with a fellow group undertaking at a fixed interest ranging from 0.545% to 0.595% (2023: 0.545 to 0.595%).

14. Creditors

	2024 £'000	2023 £'000
Trade creditors	10,948	7,805
Customer advances (Note 3)	58,673	58,235
Amounts owed to group undertakings	40,176	14,602
Corporate tax payable	1,258	-
Other taxes payable	7,860	5,135
Lease liabilities (Note 10)	1,933	430
Accruals	19,322	24,775
Deferred income	5,192	6,432
	145,362	117,414

Amounts owed to group undertakings relates to transactions with wholly owned Hitachi Energy subsidiaries within the normal course of business. Creditors due in greater than 1 year relate wholly to lease liabilities and are shown in note 10.

15. Deferred Taxation

The amounts of deferred taxation are as follows:

	Unrecognised Deferred Tax	
	2024 £'000	2023 £'000
Decelerated Capital Allowances	217	306
Short term timing differences	261	186
Tax losses carried forward	2,696	3,697
	3,174	4,189

Unrecognised deferred tax assets have been calculated at 25% which is the UK rate of corporation tax. The decrease in tax losses carried forward pertains to tax losses group relieved to group undertakings.

16. Provisions for Liabilities

	Warranties and other *£'000*	*Work due* *£'000*	*Losses on contracts* *£'000*	*Total* *£'000*
Provision at 1 April 2023	1,148	4,246	373	5,767
Charged to Profit and Loss Account during the year	593	1,320	228	2,141
Utilised during the year	(22)	-	-	(22)
Provision at 31 March 2024	1,719	5,566	601	7,885

Warranty provisions are recognised for expected warranty claims on completed contracts. It is expected that these costs will be incurred within two years of the Balance Sheet date.

Work due provisions arise when a contract is fully completed and delivered, however, there are still costs relating to that contract that are not yet recognised because they have not yet been incurred.

Losses on contracts provision relates to provisions for losses or claims on ongoing contracts. The provision credited during the year pertains to completed contracts. It is expected that these costs will be incurred within three years of the Balance Sheet date.

The impact of discounting amounts arising from the passage of time and the effect of any change in the discount rate is not material to these Financial Statements.

17. Guarantees and other financial commitments

In accordance with the industry practice, guarantees of performance under contracts with customers are given. Such guarantees can, in the normal course of business extend from the tender period until the final acceptance by the customer, or the end of the warranty period and may include guarantees on project completion, or contract specific defined performance criteria.

The guarantees are provided by a bank by way of performance bonds and letters of credit. At 31 March 2024, these guarantees amounted to £82,918,340 (2023: £45,508,795). In addition, there were guarantees provided for contracts that had not yet been novated from ABB Limited. These amounted to nil as at 31 March 2024 (2023: £2,027,091). The Company provides a counter indemnity to the bank.

Projects for which guarantees are given are regularly reviewed by the management and when it becomes probable that payments pursuant to performance guarantees will be required to be made, accruals are recorded in the Financial Statements at that time.

18. Called Up Share Capital

Share Capital

Ordinary Shares of £1 each	*No.*	*2024* *£'000*	*No.*	*2023* *£'000*
Allotted, called up and fully paid	37,698,650	37,699	37,698,650	37,699

19. Defined Contribution Pension Scheme

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charges to income of £4,462,946 (2023: £4,009,705) represents contributions payable by the Company to the fund. Contributions of £470,582 (2023: £352,175) due in respect of the current reporting period were payable to the fund at the year-end and are included in creditors.

20. Contingent liabilities

The Company is party to certain legal actions in the normal course of business and only provides for them when there is a probable obligation. The Company has received a claim with a possible obligation of up to £275,000 (2023: £10,700,000). The directors consider there are no substantial grounds for this claim, and the risk of loss is likely to be remote.

21. Related Party Transactions

The Company is exempt from disclosing related party transactions, as they are with other companies that are wholly owned within the Group for the current year.

During the period up to 28 December 2022, the Company entered into transactions with various ABB Group entities, whilst it was a related party. During the year ended 31 March 2023, the Company has purchased products and services amounting to £3,081,961 (2022: £7,833,000) and sold products and services amounting to £2,443,653 (2022: £8,373,737).

22. Ultimate Parent Undertaking

The immediate parent company is Hitachi Energy Ltd, a Company incorporated in Switzerland. This undertaking is the smallest group in which Hitachi Energy UK Limited is consolidated. A copy of the accounts can be obtained from PO Box 8131, CH-8050 Brown Boveri Strasse 5, Zurich, Switzerland, which is the registered office of Hitachi Energy Ltd.

The ultimate parent undertaking of the Company is Hitachi, Ltd, a Company incorporated in Japan. This undertaking is the largest group in which Hitachi Energy UK Limited is consolidated. A copy of the accounts can be obtained from 1-6-6, Marunouchi, Nihonseimei, Marunouchi Building, Chiyoda-Ku, Tokyo 100-8280, Japan.