

Hitachi Energy UK Limited

Reports and Financial Statements

31 March 2023

Registered number: 02985756



CONTENTS

Company Information	2
Strategic Report	3
Directors' Report	8
Statement of Directors' responsibilities in respect of the Financial Statements	11
Independent auditor's report to the members of Hitachi Energy UK Limited	12
Profit and Loss Account	15
Balance Sheet	16
Statement of Changes in Equity	17
Notes to the Financial Statements	18

Hitachi Energy UK Limited

Registered No. 02985756

Company Information

Directors

MJ Hasnip

AJ Myatt (Resigned 13 July 2022)

LAO Fleming (Appointed 13 July 2022)

CL Roberts (Appointed 13 July 2022)

IG Funnell (Resigned 31 July 2022)

Secretary

CL Roberts

Auditors

Ernst & Young LLP

No.1 Colmore Square

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

1 Finsbury Circus

London

EC2M 7SH

Registered Office

Oulton Road

Stone

Staffordshire

ST15 0RS

United Kingdom

Hitachi Energy UK Limited

Strategic Report

The Directors present their Strategic Report of Hitachi Energy UK Limited (or “the Company”) for the year ended 31 March 2023.

Results and dividends

The results for the year are set out on page 15. The profit after taxation for the financial year amounted to £5,303,000 (2022: £955,000 loss after taxation).

The Company did not pay a dividend in respect of 2023 (2022: £nil).

Principal activities and review of the business

The principal activity of the Company during this year was the provision of solutions for secure, energy-efficient generation, transmission and distribution of electricity and for increasing productivity in industrial, commercial and utility operations as well as development, marketing and servicing of Enterprise Software solutions covering asset care and maintenance.

On 1 October 2019 the Company’s then parent company, ABB Limited, transferred the trade, assets and liabilities of its Power Grids business to the Company. The Company issued 18,069,000 shares of £1 to ABB Limited as consideration for this transfer.

The former ultimate parent company, ABB Limited, registered in Zurich, entered into an agreement with Hitachi Ltd, listed in Japan, to form a joint venture (19.9% owned by ABB, 80.1% owned by Hitachi) in respect of ABB’s Power Grids business and this was finalised on 1 July 2020. As part of this arrangement, Hitachi ABB Power Grids Ltd became the immediate parent of the Company, whereby all the shares of the Company were transferred to Hitachi ABB Power Grids Ltd (“Group”). As part of corporate branding, on 1 October 2021 “Hitachi ABB Power Grids Ltd” was renamed “Hitachi Energy Ltd” with effect from 30 June 2021.

From 1 November 2021, the Company changed its name from “ABB Power Grids UK Limited” to “Hitachi Energy UK Limited”.

On 30 September 2022, the remaining 19.9% shares owned by ABB were part of a share transfer agreement, and by 28 December 2022, the Group was wholly owned by Hitachi Ltd.

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

	<i>Year ended</i> <i>31 March</i> <i>2023</i> <i>£’000</i>	<i>Year ended</i> <i>31 March</i> <i>2022</i> <i>£’000</i>	<i>Change</i> <i>%</i>
Turnover	212,537	161,005	32%
Operating profit/(loss) from continuing operations	4,436	(2,844)	256 %
Net Assets / Shareholder’s funds	8,053	2,750	193 %

The turnover in the 12 months to 31 March 2023 was £212,537,000 which reflected an increase from the prior reporting year’s turnover of £161,005,000.

The increase in turnover was primarily driven by the delivery of significant projects within its Grid Integration business supported by additional activity in its renewables energy sector with all business units performing well across the Grid Automation, Transformers and High Voltage sectors. The most notable area of growth has been in its High Voltage Direct Current (HVDC), business.

Hitachi Energy UK Limited

Strategic Report (continued)

Principal activities and review of the business (continued)

During the year a number of projects moved from the transition stage to the delivery stage which has seen a notable improvement in volumes and margins across all sectors. This coupled with improved supply chain operations has driven the improvements. These projects are still ongoing and are expected to show a continual improvement in the coming year. The order backlog and pipeline is significant and the Directors are confident of this continued improvement for the foreseeable future. The market for renewable energy is at the forefront of the industry's growth and the business is well positioned to drive this forward.

Further, the investments in new in-house software applications are significant which will enable a more streamlined operation driving additional benefits. This, alongside the relocation of the head office to central Birmingham and new operational facility in Stafford, will see the company well positioned to take advantage of its place as a leading player in the market.

The Company and Group are confident that the emerging opportunities that have materialised this year will continue and that the growth in profitability will be maintained.

This improvement is alongside the establishment of a new go-to-market approach and the creation of a front-end sales organization to support the expected market opportunities in the grids and renewables business segments. The Directors expect to see the benefits of this in future years.

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.

The current economic uncertainty including the impact of global inflation on the full supply chain presents another risk to the business. As an organisation we are continuously assessing the impact this is having on our supply chain and our customers, we are working hard to mitigate any pricing issues this may have.

Competitive pressures in the UK market are a continuing risk for the Company. The Company manages this risk by putting our customers at the heart of all we do, ensuring we provide the best value and by maintaining strong relationships. Risk reviews are performed by management at the Company to address all commercial, operational and financial aspects of business opportunities and projects in execution.

Health and Safety is a priority within the business and the Directors specifically monitor and review all aspects of health and safety on a monthly basis. The business operates within key 'Life saving rules' that are a license to work at Hitachi Energy. Training of all staff is undertaken to reduce the risk of failure to comply with best practice or legislative standards which could have a material impact on the Company's licence to operate.

Financial risks are addressed as part of a stringent process of budgeting and forecasting. A rolling forecast of cash flows is maintained and regularly monitored.

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 is now in the latter stages of finalising the new facility / facilities, which will further support in 'Advancing a sustainable energy future for all'.

Hitachi Energy UK Limited

Strategic Report (continued)

Project Reiwa

The roll out of the new global ERP system for the Company and Group continues and the UK business will go live in October 2023. Significant time and effort by all of our employees in training and the data cleansing operations have taken place and we are confident of a successful implementation later in the year. Further, we are planning to mitigate any business interruption with time and effort being spent on detailed continuity planning. The benefit of the updated SAP platform will be felt throughout the business and will continue to enable us to provide the best value to our customers.

Current situation in Ukraine

The sanctions or changes due to the situation in Russia, Belarus and Ukraine do 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.

In considering the ability of the Group 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.

Brexit

The formal process governing the UK's departure from the EU commonly referred to as 'Brexit' began on the 29 March 2017. The UK withdrew from the EU on 31 January 2020 and the implementation period ended on the 31 December 2020.

The overall effects of the withdrawal are in our view minimal, but the Directors continue to monitor the potential effects on customers, suppliers, trade and the wider economy and will act, should the potential impact on turnover and additional costs becomes significant. Currently, the Directors have not noticed any significant impact on the supply chain activities and continue to be able to service our customers.

Potentially additional costs could be driven by the impact on trade with markets in Sweden and other EU countries where the Company does significant trade on both imports and exports. However, to date, this has not been the case.

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 have obtained confirmation that, if required, additional funding will be provided from 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.

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.

Hitachi Energy UK Limited

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

Our employees are key to our business. We recognise that part of being a successful business involves effective engagement with our employees, understanding and listening to the issues that affect them.

Covid 19 is no longer seen as a significant threat to the business or its employees. However, we continue to ask any employee with suspected symptoms to take the necessary safeguarding steps to minimise further infection and offer complete support in this and all other health matters. We invested in a very well received employee wellness programme as well as in programmes for diversity, inclusion and leadership.

Annually, we undertake an employee survey. The survey provides a point in time view of and, over time, allows tracking of employee satisfaction. Questions related to employee satisfaction include training, work life balance, support and facilities. The Employee Survey results were reviewed by the Directors, and it was agreed that areas of importance to employees will be reviewed at future Board meetings.

The business is investing heavily in Workday to provide an improved Human Resources system for all employees and managers.

Customers, suppliers and Partners

A further risk is the impact of global inflation that the world economy is seeing. As an organisation we are continuously assessing the impact that is having on our supply chain and our customers and are working hard to mitigate any pricing issues this may have.

We are striving to meet the needs of our customers and stay closely engaged. Whenever possible, we are using virtual technology and online tools and methods to ensure we stay in touch and support our customers without the need for travel or in-person meetings. For site activities, we are using specific service guidelines to ensure the highest standards. We are adapting and adopting our operations to the current situation.

Community, Society and Environment

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

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

Through Sustainability 2030, we aim to achieve carbon-neutrality in 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.

Hitachi Energy UK Limited

Strategic Report (continued)

Community, Society and Environment (continued)

Our 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, we launched EconiQ™ – our eco-efficient portfolio. EconiQ™ is the Group’s eco-efficient portfolio for sustainability where products, services and solutions are proven to deliver exceptional environmental performance. Our EconiQ™ portfolio is sustainability-oriented in design to deliver a superior environmental performance compared to conventional solutions.

Following its launch in 2021, we are continuing to expand and develop the EconiQ™ portfolio of products, services and solutions. Our 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.

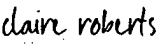
Shareholders

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:

3539DA2267934C5
CL Roberts
Company Secretary
19 June 2023

Hitachi Energy UK Limited

Directors' Report

The Directors submit their Report and the audited Financial Statements for the Company for the year ended 31 March 2023.

Directors

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

MJ Hasnip	
AJ Myatt	Resigned 13 July 2022
LAO Fleming	Appointed 13 July 2022
CL Roberts	Appointed 13 July 2022
IG Funnell	Resigned 31 July 2022

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 a charitable donation of £10,000 in the year ended 31 March 2023 (2022: £nil). There was no political expenditure during the year (2022: £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 Gasses (GHG) emissions are reported in tonnes of carbon dioxide equivalent (tCO₂e), for the year ended 31 March 2023.

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

We have used the latest emissions factors from the Department for Environment, Food and Rural Affairs (DEFRA), and our gross emissions tool in the table applies the 'location based' accounting methodology for grid emissions.

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

Hitachi Energy UK Limited

Directors' Report (continued)**Streamlined Energy and Carbon Reporting (SECR) (continued)**

Company's Consumption and Associated Greenhouse Gas Emissions		
Consumption	2022/23	2021/22
Total Energy Consumption (Electricity) (kWh)	784,712	806,868
Total Energy Consumption (Gas) (kWh)	0	0
Total Vehicle Fuel Consumption (kWh) ^[1]	42.679	14.090
Emissions	2022/23	2021/22
Emissions from Combustion of Fuel - Gas (Scope 1) (tCO ₂ e)	0	0
Emissions from Business Travel - Company Owned (Scope 1) (tCO ₂ e)	94.445	38.492
Emission from Electricity Purchased for Own Use - Company Owned (Scope 2) (tCO ₂ e)	151.784	171.322
Emissions from Business Travel - Rental or Employee Owned (Scope 3) (tCO ₂ e)	938.916 ^[2]	273.245
Total Annual Gross Emissions	1185.109	483.059
Total Annual Net Emissions	1185.109	483.059
Annual GHG Intensity Measure (tCO ₂ /unit)	2022/23	2021/22
GHG Emissions tCO ₂ e/sqm	0.076	0.031

^[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 value, environmental value and economic value.

Planet (SDG 6,7,12). By 2030, we will achieve carbon-neutrality in our own operations. We're 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're nurturing an inclusive culture. And enabling all our people to thrive and give their best. We're 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're accelerating the energy transition.

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

- Promotion of Sustainability 2030 strategic plan for transitioning to carbon neutrality across the business and further embedding SDGs in company Policies and Targets
- Continuation of employee awareness training programme, targeting aspects of environment and sustainability management, including Sustainability Targets and SDGs

Hitachi Energy UK Limited

Directors' Report (continued)

Streamlined Energy and Carbon Reporting (SECR) (continued)

- 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

Following on from the period of societal recovery and relaxation of governmental Covid-19 security measures, Hitachi Energy has adopted a hybrid style of working. Further advances have been made in energy consumption on site (with savings of 22,156 kWh or 19.574 tCO₂e). Although a continuation of gains has been made in increasing office efficiencies, overall GHG emissions has increased YoY (0.045 tCO₂e/sqm). This is partially due to increases in Scope 1 emissions (as construction site activity has expanded in line with wider industry recovery). Greater accountability is due to a further expansion of non-mandatory Scope 3 emissions that are being incorporated in the reporting, as a result of improved data collection systems and acknowledgement of the significance of Scope 3 emissions.

Our commitment to transitioning to lower carbon travel alternatives is demonstrated with increased employee participation in the Arval Ignition Scheme, with a YoY increase of 1864.5% in electric vehicle miles travelled. This is reinforced by increasing reliance on public transport – with 1,089,225 kilometres more being travelled by train – and a 32.7% reduction in air travel (compared to pre-Covid flight patterns). The largest areas of focus remain electricity purchased and business travel, which shall continue to be addressed through the aforementioned improvement strategies.

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
19 June 2023

Hitachi Energy UK Limited

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.

Hitachi Energy UK Limited

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 2023 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2023 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. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included reading the letter of support provided by Hitachi Energy Limited to the Company, noting they were willing and able to provide the support, as needed, for a period of 12 months from the date when the financial statements are authorised for issue. We have assessed whether Hitachi Energy Limited are able to offer that support to the Company.

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 Strategic Report and the Directors' Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Strategic Report and the Directors' 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.

Hitachi Energy UK Limited

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 11, 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.

Hitachi Energy UK Limited

Independent auditors' report (continued)

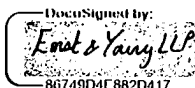
Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue recognition to be a fraud risk. We incorporate data analytics into our testing of manual journals and revenue recognition. We tested specific transactions back to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions. 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.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria.

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.



Nigel Meredith (Senior Statutory Auditor)

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

Birmingham, United Kingdom

Date: 21 June 2023

Hitachi Energy UK Limited

At 31 March 2023

Profit and Loss Account for the year ended 31 March 2023

	<i>Notes</i>	<i>Year ended 31 March 2023 £'000</i>	<i>Year ended 31 March 2022 £'000</i>
TURNOVER	3	212,537	161,005
Cost of sales		<u>(160,962)</u>	<u>(134,996)</u>
GROSS PROFIT		51,575	26,009
Selling and distribution expenses		(17,046)	(16,588)
Administrative expenses		(30,093)	(12,265)
OPERATING PROFIT/(LOSS)	4	4,436	(2,844)
Interest income	6	893	-
Interest expense and similar charges	7	(64)	(35)
PROFIT/(LOSS) BEFORE TAXATION		5,265	(2,879)
Tax credit	8	38	1,924
PROFIT/(LOSS) AFTER TAXATION		5,303	(955)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD		<u>5,303</u>	<u>(955)</u>

All turnover and profit/(loss) are from continuing operations.

The Notes on pages 18 to 32 form part of these Financial Statements.

Hitachi Energy UK Limited

At 31 March 2023

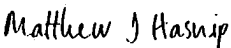
Balance Sheet as at 31 March 2023

	<i>Notes</i>	<i>31 March 2023 £'000</i>	<i>31 March 2022 £'000</i>
FIXED ASSETS			
Tangible assets	9	6,366	4,607
Intangible assets	11	489	413
		<u>6,855</u>	<u>5,020</u>
CURRENT ASSETS			
Stock	12	2,679	330
Debtors	13	121,121	101,398
Cash at bank and in hand		2,421	1,154
		<u>126,221</u>	<u>102,882</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	14	(117,414)	(102,225)
NET CURRENT ASSETS			
		8,807	657
NET ASSETS			
Creditors: amounts falling due after one year	10	(1,842)	(259)
Provisions for liabilities	16	(5,767)	(2,668)
NET ASSETS			
		<u>8,053</u>	<u>2,750</u>
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		(25,428)	(30,731)
SHAREHOLDER'S FUNDS			
		<u>8,053</u>	<u>2,750</u>

The Notes on pages 18 to 32 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

3109 4000070411

MJ Hasnip

Director

19 June 2023

Hitachi Energy UK Limited

At 31 March 2023

Statement of Changes in Equity for the year ended 31 March 2023

	<i>Called up share capital £'000</i>	<i>Capital reserve £'000</i>	<i>Merger reserve £'000</i>	<i>Profit and Loss Account £'000</i>	<i>Total £'000</i>
At 31 March 2021	37,699	4,291	(8,509)	(29,776)	3,705
Loss for the year	-	-	-	(955)	(955)
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

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.

The Notes on pages 18 to 32 form part of these Financial Statements.

Hitachi Energy UK Limited

At 31 March 2023

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 19 June 2023. 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 2023.

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.

Hitachi Energy UK Limited

At 31 March 2023

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 have obtained confirmation, that if required, additional funding will be provided from 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 Customer advances 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.

Hitachi Energy UK Limited

At 31 March 2023

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 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 reviewed 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

Hitachi Energy UK Limited

At 31 March 2023

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.

Hitachi Energy UK Limited

At 31 March 2023

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

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.

3. Turnover and Segmental analysis

The turnover which 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:

	2023	2022
	£'000	£'000
Within the UK	173,723	126,685
Rest of Europe	37,695	33,270
Rest of the World	1,119	1,050
	<u>212,537</u>	<u>161,005</u>

Hitachi Energy UK Limited

At 31 March 2023

3. Turnover and Segmental analysis (continued)

An analysis of turnover by business segment is given below:

	2023	2022
	£'000	£'000
Grid automation	43,375	41,710
Grid integration	117,349	71,487
High voltage	26,469	25,793
Transformers	20,363	19,516
Central and Other	4,981	2,499
	<u>212,537</u>	<u>161,005</u>

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

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

	2023	2022
	£'000	£'000
Grid automation	(717)	(330)
Grid integration	5,619	(2,903)
High voltage	2,197	2,009
Transformers	(304)	(21)
Central and Other	(2,359)	(1,599)
	<u>4,436</u>	<u>(2,844)</u>

An analysis of net assets is given below:

	2023	2022
	£'000	£'000
Grid automation	10,861	6,875
Grid integration	274	(13,116)
High voltage	9,260	5,222
Transformers	(1,251)	(1,842)
Central and Other	(11,091)	5,611
	<u>8,053</u>	<u>2,750</u>

Balances on contracts with customers

	Note	2023	2022
		£'000	£'000
Trade Receivables	13	24,214	18,194
Contract assets: Accrued income	13	30,780	19,747
Amounts recoverable on contracts	13	17,043	13,475
Contract liabilities: Customer advances	14	58,235	40,624

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 £17,043,000 (2022: £13,475,000).

Accrued income comprises of unbilled revenue in respect of contracts amounting to £30,780,000 (2022: £19,747,000).

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.

Hitachi Energy UK Limited

At 31 March 2023

4. Operating Profit/(Loss)

Operating profit/(loss) is stated after charging/(crediting):

	2023	2022
	£'000	£'000
Research and development costs	9,376	7,909
Depreciation of tangible fixed assets	954	858
Amortisation of intangible fixed assets	11	107
Auditor's remuneration	519	472
Net gain on foreign currency translation	(270)	(209)
Claims under furlough scheme	-	(5)
	<u> </u>	<u> </u>

5. Directors' Remuneration and Staff Costs

	2023	2022
	£'000	£'000
Directors' Emoluments		
Pensions	38	34
Benefits in kind	25	18
Wages and salaries	782	764
	<u> </u>	<u> </u>
	<u>845</u>	<u>816</u>

The highest paid Directors' emoluments amounted to £245,796 (2022: £361,910) and pension contributions were £2,264 (2022: £6,791).

	2023	2022
	£'000	£'000
Staff Costs		
Wages and salaries	29,862	28,079
Social security costs	4,016	3,596
Other pension costs	4,009	3,827
	<u> </u>	<u> </u>
	<u>37,887</u>	<u>35,502</u>

The average number of employees during the period was 438 (2022: 399):

	2023	2022
Consulting & customer support	106	90
Sales & marketing	66	68
Administration	90	71
Production	176	170
	<u> </u>	<u> </u>
	<u>438</u>	<u>399</u>

6. Interest Income

	2023	2022
	£'000	£'000
Interest income from group undertakings	893	-
	<u> </u>	<u> </u>

Hitachi Energy UK Limited

At 31 March 2023

7. Interest Expense and Similar Charges

	2023 £'000	2022 £'000
Interest expense on leases	(64)	(15)
Interest expense to group undertakings	-	(20)
	<u>(64)</u>	<u>(35)</u>

8. Taxation

	2023 £'000	2022 £'000
Analysis of tax credit for the year		
Current taxation		
Current tax credit on loss for the year	-	437
Tax credit understated in prior year	38	1,487
	<u>38</u>	<u>1,924</u>
Deferred taxation		
Origination and reversal of timing differences	-	-
Tax on profit/(loss) on ordinary activities	38	1,924
	<u>38</u>	<u>1,924</u>

Factors affecting current tax credit:

The tax credit for the year differs from the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%). The differences are reconciled below:

	2023 £'000	2022 £'000
Profit/(Loss) before taxation	<u>5,265</u>	<u>(2,879)</u>
Profit/(Loss) multiplied by standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	(1,000)	547
Expenses not deductible for tax purposes	(10)	(8)
Tax credit understated in prior year	38	1,487
Impact of differences in taxation rates	(142)	(102)
Utilisation of brought forward losses	1,152	-
Total current tax credit	<u>38</u>	<u>1,924</u>

The Company has tax trading losses arising and carried forward in the UK of £14,790,000 (2022: £20,853,000) 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 £1,224,000 (2022: £1,810,000) relating to decelerated capital allowances, and of £744,000 (2022: £309,000) 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.

Hitachi Energy UK Limited

At 31 March 2023

9. Tangible Fixed Assets

	<i>Land & Buildings</i> £'000	<i>Machinery, Equipment & Vehicles</i> £'000	<i>Total</i> £'000
Cost:			
At 1 April 2022	4,322	4,423	8,745
Additions	2,237	481	2,718
Disposals	(76)	(373)	(449)
At 31 March 2023	6,483	4,531	11,014
Depreciation:			
At 1 April 2022	1,773	2,365	4,138
Charge for the year	417	537	954
Disposals	(76)	(368)	(444)
At 31 March 2023	2,114	2,534	4,648
Net Book Value:			
At 31 March 2023	4,369	1,997	6,366
At 1 April 2022	2,549	2,058	4,607

Freehold land amounting to £1,350,000 (2022: £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 £1,853,000 (2022: £543,000) and the analysis of these is given in Note 10 Leases.

Hitachi Energy UK Limited

At 31 March 2023

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 2-3 years, while office building between 3-8 years.

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

	<i>Buildings</i> £000	<i>Machinery, Equipment and vehicles</i> £000	<i>Right of use assets Total</i> £000
Cost:			
At 1 April 2022	76	1,128	1,204
Additions	1,804	217	2,021
Disposals	(76)	(300)	(376)
At 31 March 2023	<u>1,804</u>	<u>1,045</u>	<u>2,849</u>
Depreciation:			
At 1 April 2022	69	592	661
Charge for the year	363	346	709
Disposal	(76)	(298)	(374)
At 31 March 2023	<u>356</u>	<u>640</u>	<u>996</u>
Net Book Value:			
At 31 March 2023	<u>1,448</u>	<u>405</u>	<u>1,853</u>
At 1 April 2022	<u>7</u>	<u>536</u>	<u>543</u>

Set out below are the carrying amounts of lease liabilities:

	<i>Buildings</i> £000	<i>Machinery, Equipment and vehicles</i> £000	<i>Total</i> £000
At 1 April 2022	7	539	546
Additions during the year	1,804	217	2,021
Interest	50	14	64
Payments	(79)	(280)	(359)
At 31 March 2023	<u>1,782</u>	<u>490</u>	<u>2,272</u>

Hitachi Energy UK Limited

At 31 March 2023

10. Leases (continued)

Analysed as:	2023 £000	2022 £000
Current lease liability (Note 14)	430	287
Non-current lease liability	1,842	259
	<u>2,272</u>	<u>546</u>

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

	<i>Buildings</i> £000	<i>Machinery, Equipment and Vehicles</i> £000	<i>Total recognised in Profit and Loss Account</i> £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	<u>413</u>	<u>598</u>	<u>1,011</u>

Future minimum rentals payable under non-cancellable leases:

	2023 £000	2022 £000
Within one year	430	287
In two to five years	1,842	259
	<u>2,272</u>	<u>546</u>

Hitachi Energy UK Limited

At 31 March 2023

11. Intangible Fixed Assets

	<i>Software</i> £'000	<i>Goodwill</i> £'000	<i>Total</i> £'000
Cost:			
At 1 April 2022	581	874	1,455
Additions	87	-	87
At 31 March 2023	<u>668</u>	<u>874</u>	<u>1,542</u>
Amortisation/impairment:			
At 1 April 2022	168	874	1,042
Amortisation for the year	11	-	11
At 31 March 2023	<u>179</u>	<u>874</u>	<u>1,053</u>
Net Book Value:			
At 31 March 2023	<u>489</u>	-	<u>489</u>
At 1 April 2022	<u>413</u>	-	<u>413</u>

12. Stock

	<i>2023</i> £'000	<i>2022</i> £'000
Work in progress	2,679	326
Finished goods	-	4
	<u>2,679</u>	<u>330</u>

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.

Hitachi Energy UK Limited

At 31 March 2023

13. Debtors

	2023 £'000	2022 £'000
Trade debtors (Note 3)	24,214	18,194
Amounts owed by group undertakings	46,995	42,614
Corporation tax	449	2,016
Amounts owed by related parties (Note 21)	-	3,243
Prepayments and accrued income (Note 3)	31,824	21,718
Amounts recoverable on contracts (Note 3)	17,043	13,475
Other debtors	596	138
	<u>121,121</u>	<u>101,398</u>

Trade debtors and accrued income are stated after allowing for expected credit losses of £136,380 (2022: £427,940).

Included in amounts owed by group undertakings is an amount for £42,000,000 (2022: 37,000,000) which relates to deposits with a fellow group undertaking at interest ranging from 0.545% to 0.595% (2022: 0.545 to 0.595%).

14. Creditors

	2023 £'000	2022 £'000
Trade creditors	7,805	5,365
Customer advances (Note 3)	58,235	40,624
Amounts owed to group undertakings	14,602	21,739
Other taxes and social security	5,135	5,427
Amounts owed to related parties (Note 21)	-	628
Lease liabilities (Note 10)	430	287
Accruals and deferred income	31,207	28,155
	<u>117,414</u>	<u>102,225</u>

15. Deferred Taxation

The amounts of deferred taxation are as follows:

	Unrecognised Deferred Tax	
	2023 £'000	2022 £'000
Decelerated Capital Allowances	306	452
Short term timing differences	186	77
Tax losses carried forward	3,697	5,213
	<u>4,189</u>	<u>5,742</u>

Unrecognised deferred tax assets have been calculated at 25% due to the uncertainty as to when these assets will crystallise.

Out of the total unrecognised deferred tax asset in 2023, approximately £1,005,000 (2022: £345,000) relates to the rate change enacted on 24 May 2021, where it was announced that the UK tax rate will rise from the current 19% to 25% from April 2023.

The decrease in tax losses carried forward pertains to tax losses group relieved to group undertakings.

Hitachi Energy UK Limited

At 31 March 2023

16. Provisions for Liabilities

	<i>Warranties and losses on contracts</i>	<i>Work due</i>	<i>Other</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
Provision at 1 April 2022	1,725	769	174	2,668
Charged / (credited) to Profit and Loss Account during the year	(17)	4,093	172	4,248
Utilised during the year	(533)	(616)	-	(1,149)
Provision at 31 March 2023	<u>1,175</u>	<u>4,246</u>	<u>346</u>	<u>5,767</u>

A provision is 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.

Other provisions relate 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 with 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 2023, these guarantees amounted to £45,508,795 (2022: £49,574,662). In addition, there are guarantees provided for contracts that have not yet been novated from ABB Limited. These amounted to £2,027,091 as at 31 March 2023 (2022: £7,140,631). 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.

Hitachi Energy UK Limited

At 31 March 2023

18. Called Up Share Capital

Share capital

	<i>No.</i>	<i>2023</i>	<i>No.</i>	<i>2022</i>
		<i>£'000</i>		<i>£'000</i>
Ordinary Shares of £1 each				
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 £4,009,705 (2022: £3,827,000) represents contributions payable by the Company to the fund. Contributions of £352,175 (2022: £309,321) 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 £10.7million. 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

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) as at the date 28 December 2022.

During the year ended 31 March 2023, the Company entered into transactions with various Hitachi Entities. During the year ended 31 March 2023, the Company has purchased products and services amount to £94,261,389 and sold products and services amount to £361,557:

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.