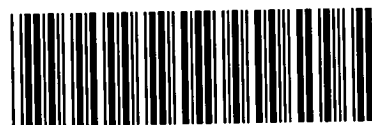


Hitachi Information Control Systems Europe Ltd.

Report and Financial Statements

31 March 2020

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COMPANIES HOUSE

Directors

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

Nobuya Kashimura
Susumu Hasegawa
Timothy James Gray
Nicholas Hughes
Patrick Devlin
Satoko Fujimori
Naotoshi Nishida
Hideki Fujisawa

Secretary

C W Newton

Auditors

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

Bankers

Barclays Bank Plc
51 Mosley Street
Manchester
M60 2AU

Registered Office

Solstice House
Middleton Road
Bradford-On-Avon
Wiltshire
BA15 1GB

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Strategic Report

The directors present their strategic report of Hitachi Information Control Systems Europe Ltd. ("the company") for the year ended 31 March 2020.

Review of the business

The company's principal activities during the year continued to be provision of railway operational control centre software, data products and related services. The company continues to explore opportunities for growth and portfolio diversification through bidding for new projects, research and development and the exploitation of opportunities in the emerging railway traffic management system and adjacent digital segments.

The company uses key performance indicators to measure performance and the directors present below the following key measures of financial performance.

Key performance indicators

	Year ended 2020 £	Year ended 2019 £	Change
Turnover	19,957,674	27,831,719	-28%
Operating profit	379,547	497,199	-24%
Profit after tax	233,347	409,082	-43%
Average number of employees	132	124	+6%

During the year turnover decreased from £27,831,719 in the year ending March 2019 to £19,957,674 in the year ending 31 March 2020. The decrease in turnover is attributed to reduced revenue delivery in the Thameslink Traffic Management System contract and slower sales of products and services supporting the conventional signalling and simulation area.

The decrease in operating profit (and profit after tax) relates to reduced returns from overall revenue despite cost control improvements. The increase in the average number of employees reflects the continued requirement for additional project and technical staff, but has generally been reduced towards the year end to match current and predicted workload. This is made up of a mix of permanent and contract staff.

Principal risks and uncertainties

The management of the company meet regularly to evaluate the company's exposure to risk. The principal risks and uncertainties in normal times are mainly project delivery, product competitiveness, staff retention and sensitivity to the needs of a limited customer base. The company puts in place appropriate measures to manage and protect negative trends where it is able. Network Rail is the direct (or indirect) end-customer for the majority of the company's work and they have recently re-organised into a regional/route based structure, which has led to some delays in procurement, but is now stabilising. The funding settlement for CP6 agreed with Government and the Regulator covering on-going renewals and enhancement of the UK railways has yet to properly bed-in, but generally gives confidence over the short term pipeline horizon.

The Covid-19 crisis caused some reduction in Q4 revenue where deliveries were curtailed, due to site access limitations, imposed whilst safe working protocols were established. Network Rail, our main client, have continued to operate the railways, albeit with reduced service levels, but are aiming to continue project and procurement activity where possible as directed by the Government. HICSE shut down all three offices on March 23rd and all employees were instructed to work from home, unless specific project requirements dictated managed access. The remote access facilities have worked well. It is too early to conclude future Covid impacts with any certainty, but modelling work has been undertaken as part of our going concern assessment.

Strategic report (continued)

The impact of Brexit and on-going negotiations do not appear to have had any specific impact on trading conditions at this time. The UK Government Industrial Strategy includes strong statements on the part that rail has to play in maintaining a strong economy to support domestic activity and stimulate exports in the sector. The ongoing commitment to the Railway Sector Deal is also strong indication of the importance the Government places on Railways.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers and other Hitachi companies who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the company's debtors are shown in note 13 to the financial statements.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations. The company retains sufficient cash to ensure it has sufficient funds available for its operations. The company agrees access to longer term funding from its ultimate parent if required.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a variability rate debt. This is managed in collaboration with parent company combined resources.

Interest rate risk in relation to bank loan is low due to group access and the directors consider that the interest rate risk is at an acceptable level and that no hedging of interest rates is necessary.

Financial risk management objectives and policies

The company's treasury management operates under policies and guidelines covering funding and management of foreign currency exposure and interest rate risk. Its purpose is to manage the financial risks of the business effectively and to secure finance at a minimum cost. Exposure to price, credit, liquidity, and cash flow risks is assessed and managed on a frequent basis in conjunction with the immediate parent and the company currently manages working capital without the need of the use of derivatives or other financial risk management objectives and policies.

Post balance sheet events

As some project activity has been delayed due to Covid-19, the company made use of the Government Jobs Retention Scheme to furlough 13 operational staff. Following latest Government advice we are reviewing the options for re-opening of the offices after consultation with employees.

Approved by the board and signed on its behalf.



Mr Tim Gray
Managing Director
Date: 28th July 2020

Directors' report

Directors

See list on page 1.

Results and dividends

The profit after taxation for the year ending 31 March 2020 amounted to £233,347 (2019 - profit £409,082). The directors do not recommend a final dividend (2019 - Nil)

Research and development

The company continues to invest significantly to improve and extend the current product set for the benefit of future UK and overseas sales activity. Expenditure on development was £973,168 (research was £23,944) in the year to March 2020.

Future developments

The company intends to trade in the same manner in the forthcoming year, operating as a provider of railway operational control centre software, data products and related services. We will continue to explore opportunities for growth and portfolio diversification through bidding for new projects, research and development and the exploitation of opportunities in the emerging railway traffic management system and adjacent digital segments.

Going concern

Hitachi Information Control Systems Europe Limited is a direct 100% owned subsidiary of Hitachi Europe Limited, a company incorporated in UK. The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of Hitachi Europe Limited to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Hitachi group to continue as a going concern or its ability to continue with the current banking arrangements.

In addition, the Directors have considered the impact of the COVID-19 crisis on the business operations and future prospects. The offices do not feature on the list of business premises which need to remain closed. The market sector within which we operate is expected to continue to need products and services that we provide and specific measures have been implemented to increase the workforce and business system resilience, and to ensure adequate protection for our people.

The Hitachi Group's financial forecasts, taking into consideration the current environment, show that the group is expected to remain profitable and generate positive cash flows giving the group the ability to continue to operate for the foreseeable future. Group finance loan facilities have been secured in excess of forecasted requirements and this has been stress tested against a range of scenarios in relation to potential reduction in revenues as a result of Covid-19.

On the basis of the assessment of the company's financial position and of the enquiries made, the directors believe the company will be able to continue in operational existence for the foreseeable future. Thus, they will continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' report (continued)

Directors' liabilities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Political donations

The company made no political donations during the year.


Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Re-appointment of auditors

In accordance with s.487 of the Companies Act 2006, Ernst & Young LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the board and signed on its behalf.



Mr Tim Gray
Managing Director
Date: 28th July 2020

Directors' responsibility statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the annual financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HITACHI INFORMATION CONTROL SYSTEMS EUROPE LTD.

Opinion

We have audited the financial statements of Hitachi Information Control Systems Europe Ltd for the year ended 31 March 2020 which comprise the Income Statement, Statement of Comprehensive income, Statement of Cash Flows, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 below. 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.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 1n of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting supply chains, consumer demand, personnel available for work and or being able to access offices among other macroeconomic factors. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 TO THE MEMBERS OF HITACHI INFORMATION CONTROL SYSTEMS EUROPE LTD.

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 by the parent company, 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 on page 6, 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. 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.

Ernst & Young LLP

Jane Barwell (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor Bristol

Date: *29 July 2020*

Income statement

For the year ended 31 March 2020

	Notes	Year ended 2020 £	Year ended 2019 £
Revenue			
<i>Continuing operations:</i>			
Sale of goods		18,629,725	26,913,194
Rendering of services		1,327,949	918,525
	4	19,957,674	27,831,719
Cost of sales		(13,722,738)	(21,258,913)
Gross profit		6,234,936	6,572,806
Distribution costs		(164,619)	(114,103)
Administration expenses		(5,835,322)	(6,094,240)
Other operating income		144,552	132,736
Operating profit	5	379,547	497,199
Finance and other similar costs	6	(9,208)	(15,291)
Profit before taxation		370,339	481,908
Tax (charge) / credit	9	(136,992)	(72,826)
Profit for the financial year		233,347	409,082

Statement of comprehensive income

For the year ended 31 March 2020

	Year ended 2020 £	Year ended 2019 £
Profit for the year	233,347	409,082
Total comprehensive profit for the year, net of tax	233,347	409,082

There are no recognised gains and losses other than the profit for the financial year.

Statement of cash flows

Year ended 31 March 2020

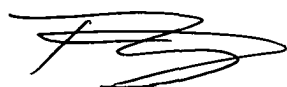
	<i>Notes</i>	<i>Year ended 2020 £</i>	<i>Year ended 2019 £</i>
Net cash from operating activities	20	86,663	3,429,383
Investing activities			
Purchase of property, plant, and equipment	10	(2,065,643)	(877,621)
Purchase of intangible assets	11	(973,168)	(817,545)
Net cash used in investing activities		(3,038,811)	(1,695,166)
Financing activities			
Dividend paid		-	-
Net cash (used in)/from financing activity		-	-
Net (decrease) / increase in cash and cash equivalents		(2,952,148)	1,734,217
Cash and cash equivalents at beginning of year		2,669,508	935,291
Cash and cash equivalents at end of year	17	<u>(282,640)</u>	<u>2,669,508</u>

Balance sheet

At 31 March 2020

	Notes	31-Mar-20 £	31-Mar-19 £
Assets			
Non-Current Assets			
Property, plant and equipment	10	2,151,227	386,355
Intangible assets	11	4,999,752	4,657,561
		<u>7,150,979</u>	<u>5,043,916</u>
Current assets			
Inventories	12	8,640	6,793
Trade and other receivables	13	6,712,084	6,863,361
Cash at bank and in hand	17	1,875,930	2,669,508
		<u>8,596,654</u>	<u>9,539,662</u>
Total assets		<u><u>15,747,633</u></u>	<u><u>14,583,578</u></u>
Equity and liabilities			
Equity			
Share capital	18	200	200
Retained earnings	19	4,154,744	3,921,397
Total equity	19	<u>4,154,944</u>	<u>3,921,597</u>
Non-current liabilities			
Non-current provisions	16	1,204,562	1,226,989
		<u>1,204,562</u>	<u>1,226,989</u>
Current liabilities			
Trade and other payables	14	8,034,403	9,186,237
Current provisions	16	195,154	248,755
Over-draft facility	17	2,158,570	-
		<u>10,388,127</u>	<u>9,434,992</u>
Total liabilities		<u>11,592,689</u>	<u>10,661,981</u>
Total equity and liabilities		<u><u>15,747,633</u></u>	<u><u>14,583,578</u></u>

The financial statements were approved by the board of directors and authorised for issue on 21 July 2020. They were signed on its behalf by:



Mr Tim Gray
Managing Director
28th July 2020

Statement of changes in equity

At 31 March 2020

		<i>Share capital</i>	<i>Retained Earnings</i>	<i>Total</i>
	<i>Notes</i>	£	£	£
Balance at 01-Apr-19	19	200	3,516,091	3,516,291
Total comprehensive income for the period	19	-	409,082	409,082
IFRS 16 opening balance sheet adjustment		-	(3,776)	(3,776)
As restated	19	200	3,921,397	3,921,597
Total comprehensive income for the period	19	-	233,347	233,347
Balance at 31-Mar-20		200	4,154,744	4,154,944

Notes to the financial statements

At 31 March 2020

1. Accounting policies

a. Corporate information

Hitachi Information Control Systems Europe Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on page 3. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

b. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The Company has applied the following standards and amendments for the first time: IFRS 16, 'Leases'. This is disclosed in Note 24.

c. Property, plant and equipment

Tangible fixed assets are initially recorded at cost or, in the case of right-of-use assets, the cost committed to the end of the lease term. Depreciation is provided to write off the costs less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Right-of-use Assets	–	life of lease
Leasehold improvements	–	life of lease
Fixtures and fittings	–	4 years
Computers	–	2 years

Where a provision for impairment in value has been made, depreciation is adjusted over the remaining life of the asset.

The cost of tangible fixed assets includes directly attributable finance costs, calculated on a day to day basis, on expenditure incurred during constructions and modifications.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

d. Intangibles

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Notes to the financial statements

At 31 March 2020

1. Accounting policies (continued)

d. Intangibles (continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is spread over the life of the product (3 to 15 years).

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. There are no intangibles that are revalued.

Notes to the financial statements

At 31 March 2020

1. Accounting policies (continued)

e. Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

f. Revenue recognition

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures. The following policies are based on requirements of IFRS 15.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a service contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work.

Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Cost to obtain a contract predominantly consists of labour cost and are not material. The company has, therefore, elected for these costs to be immediately expensed (included under employee benefits and part of cost of sales).

Notes to the financial statements

At 31 March 2020

1. Accounting policies (continued)

f) Revenue recognition (continued)

Warranties are considered to be assurance type warranties and hence should not be considered as a performance obligation. Therefore, there is no impact on revenue recognition.

Software sale and installation

The company recognises revenue from sale and installation of railway operational control centre software and data products over time, using an input method to measure progress towards complete satisfaction of the installation, because the customer simultaneously receives and consumes the benefits provided by the company. The installation services cannot be obtained from other providers and is an integral part of the contract to deliver the related software. Accordingly, the company allocates the transaction price based on a single performance obligation.

The company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the service for the product sold, taking into account historical trends in the number of services actually provided on past goods sold.

Critical judgements in recognising revenue

- Assessments of costs-to-complete, as changes in this forecast will impact the calculation of the percentage complete.
- Treating the Thameslink contract as a single performance obligation. Per the company's assessment, the overall contract deliverable is an integrated solution to cover the entire Thameslink network, not a series of deliverable that could be operated individually and complemented by third party products or services. Also, each milestone cannot be considered independent deliverables as third party integration issues mean that the customer would not stop the contract at an intermediate milestone and procure the remaining system elsewhere.

Notes to the financial statements

At 31 March 2020

1. Accounting policies (continued)

g. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Notes to the financial statements

At 31 March 2020

1. Accounting policies (continued)

h. Leasing commitments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

IFRS 16 'Leases' replaces IAS 17. The adoption of this new Standard has resulted in the company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value. For operating leases identified as low-value these have been charged to income on a straight-line basis over the term of the relevant lease. The company has elected not to exercise an optional application exemption on leases with less than 12 months remaining.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised as a £4k decrease in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

The company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 April 2019.

At this date, the company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Instead of performing an impairment review on the right-of-use assets at the date of initial application, the company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 1.0109%. This was calculated as a risk-free discounting rate on the remainder of the leases term. A sensitivity analysis was performed against group IBR and a conclusion met that this was immaterial.

The company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases

i. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Notes to the financial statements

At 31 March 2020

1. Accounting policies (continued)

j. Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

k. Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The adoption of IFRS 9 did not have material impact on the company's financial statements and disclosures.

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IFRS 9 are all classified as financial assets at fair value through profit or loss (FVTPL) or debt instruments at amortised costs as appropriate. The company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Debt instruments at amortised cost

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'debt instruments at amortised cost'. Debt instruments at amortised costs are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through arrangement; and either (a) the company has transferred substantially all the risks and rewards of the assets, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to the financial statements

At 31 March 2020

1. Accounting policies (continued)

k. Financial instruments (continued)

(b) Impairment of financial assets

The company assesses at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset and the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment.

(c) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The company determines the classification of its financial liabilities at initial recognition.

The company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition

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

(d) Offsetting of financial instruments

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

Notes to the financial statements

At 31 March 2020

1. Accounting policies (continued)

l. Pension costs

The company operates a defined contribution pension scheme. Under a defined contribution pension plan the company pays a pre-determined contribution to a separate privately administered pension plan. Other than this contribution the company has no further legal or constructive obligation to make further contribution to the scheme.

Obligations for contributions to the scheme are recognised as an expense in the income statement in the period in which they arise.

m. Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the company's obligation.

n. Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 3 and 4.

Hitachi Information Control Systems Europe Limited is a direct 100% owned subsidiary of Hitachi Europe Limited, a company incorporated in UK. The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of Hitachi Europe Limited to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Hitachi group to continue as a going concern or its ability to continue with the current banking arrangements.

In addition, the Directors have considered the impact of the COVID-19 crisis on the business operations and future prospects. The offices do not feature on the list of business premises which need to remain closed. The market sector within which we operate is expected to continue to need products and services that we provide and specific measures have been implemented to increase the workforce and business system resilience, and to ensure adequate protection for our people.

The Hitachi Group's financial forecasts, taking into consideration the current environment, show that the group is expected to remain profitable and generate positive cash flows giving the group the ability to continue to operate for the foreseeable future. Group finance loan facilities have been secured in excess of forecasted requirements and this has been stress tested against a range of scenarios in relation to potential reduction in revenues as a result of Covid-19.

On the basis of the assessment of the company's financial position and of the enquiries made, the directors believe the company will be able to continue in operational existence for the foreseeable future. Thus, they will continue to adopt the going concern basis of accounting in preparing the annual financial statements.

o. Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

p. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the financial statements

At 31 March 2020

2. Significant accounting estimates and assumptions

The preparation of the company's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosure. Uncertainty about these assumptions and estimates could result in outcome that requires a material adjustment to the carrying amount of the asset or liability affected in future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Recoverability of internally-generated intangible asset

During the year, management reconsidered the recoverability of its internally-generated intangible asset which is included in its balance sheet at £4,657,561. The project continues to progress in a very satisfactory manner, and customer reaction has reconfirmed management's previous estimates of anticipated revenues from the project.

However, management is confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

3. Standards issued but not yet effective

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

IFRS 17	Insurance Contracts	01 January 2023
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Notes to the financial statements

At 31 March 2020

4. Revenue

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

	<i>Year ended 2020 £</i>	<i>Year ended 2019 £</i>
UK and Republic of Ireland	19,117,674	26,668,899
Europe	-	-
Japan	840,000	1,162,820
	<u>19,957,674</u>	<u>27,831,719</u>

The Company derives all its revenue from sale of railway signalling software. The income from these contracts is recognised over time. All assets and liabilities relating to contracts are current and are disclosed as Contract Assets and Contract Liabilities in Note 13 and Note 14, respectively.

	<i>Year ended 2020 £</i>	<i>Year ended 2019 £</i>
Aggregate amount of the transaction price allocated to long-term contracts that are partly or fully unsatisfied as at period end	9,703,685	13,531,559

5. Operating profit

This is stated after charging

	<i>Year ended 2020 £</i>	<i>Year ended 2019 £</i>
Auditors' remuneration	18,900	17,025
Depreciation	278,559	164,731
Amortisation of intangible asset	620,010	498,592
Rentals payable under operating leases	-	138,061
Staff costs (note 8)	8,515,388	7,949,990
Research and Development cost expensed	23,944	231,267

6. Finance and other similar costs

	<i>Year ended 2020 £</i>	<i>Year ended 2019 £</i>
Interest income	(18)	-
Interest paid	11,423	13,759
Rights of Use Interest Expense	6,086	-
Dilapidations interest expense	(8,283)	1,532
	<u>9,208</u>	<u>15,291</u>

Notes to the financial statements

At 31 March 2020

7. Directors' remuneration

	<i>Year ended 2020 £</i>	<i>Year ended 2019 £</i>
Directors' aggregate remuneration	605,951	598,903
Pension contributions	22,988	22,250
	<u>628,939</u>	<u>621,153</u>

The remuneration in respect of the highest paid director was £180,128 (2019: £175,338); pension contribution was £12,622 (2019: £12,254). Two directors were members of the company's defined contribution pension scheme (2019: 2). Some of the directors are remunerated by other companies in the Hitachi group and it is not possible to reasonably attribute a part of their remuneration to their qualifying services for this company. The directors are the only key personnel.

8. Employee benefit expenses

	<i>Year ended 2020 £</i>	<i>Year ended 2019 £</i>
Wages and salaries	7,015,564	6,605,167
Social security costs	1,007,513	933,223
Other pension costs	492,311	411,600
	<u>8,515,388</u>	<u>7,949,990</u>

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

	<i>Year ended 2020</i>	<i>Year ended 2019</i>
Sales, administration, and direct	<u>132</u>	<u>124</u>

Notes to the financial statements

At 31 March 2020

9. Taxation

(a) Tax on profit on ordinary activities

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

	<i>Year ended 2020 £</i>	<i>Year ended 2019 £</i>
<i>Current tax:</i>		
UK corporation tax	27,465	21,263
Adjustment in respect of previous years	-	(115,640)
	<u>27,465</u>	<u>(94,377)</u>
<i>Deferred tax</i>		
Current year	51,987	73,286
Effect of changes in tax rates	57,540	(9,951)
Adjustment in respect of previous periods	-	103,868
	<u>109,527</u>	<u>167,203</u>
Tax on ordinary activities	<u>109,527</u>	<u>167,203</u>
Tax per income statement	<u><u>136,992</u></u>	<u><u>72,826</u></u>

Notes to the financial statements

At 31 March 2020

9. Tax (continued)

(b) Factors affecting total tax charge for the current period

	<i>Year ended 2020 £</i>	<i>Year ended 2019 £</i>
Profit for the period - continuing operations	370,339	481,908
Tax on profit at standard UK rate of 19% (2019: 19%)	70,364	91,563
<i>Effects of:</i>		
Adjustments in respect of prior years	-	(11,771)
Expenses not deductible	-	1,889
Income not taxable	2,544	(3,957)
IFRS 15 prior year adjustment	-	778
Tax rate changes	57,540	(9,952)
Roundings	(1)	-
Non qualifying asset	6,545	4,276
Total taxation charge / (credit) in the year	136,992	72,826
Income tax expense / (credit) reported in the income statement	136,992	72,826

(c) Factors that may affect future tax charges

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

The UK corporation tax rate was reduced from 20% to 19% on 1 April 2017. The main rate remains at 19%.

Notes to the financial statements

At 31 March 2020

9. Tax (continued)

(d) Deferred tax

Analysis of deferred tax

	<i>Year ended 2020 £</i>	<i>Year ended 2019 £</i>
Fixed assets	855,713	688,268
Losses	(229,630)	(199,177)
Tax losses available	(161,637)	(134,172)
	<u>464,446</u>	<u>354,919</u>
Deferred tax liability	<u>464,446</u>	<u>354,919</u>
	<i>Year ended 2020 £</i>	<i>Year ended 2019 £</i>
<i>Deferred Tax Balance Sheet Amounts</i>		
Provision at start of period	354,919	188,488
Adjustment in respect to prior years	-	103,869
IFRS 16 Leases	-	(773)
Deferred tax charge to I/S for the period	109,527	63,335
	<u>464,446</u>	<u>354,919</u>
Provision at end of period	<u>464,446</u>	<u>354,919</u>

Deferred taxes have been valued using a 19% rate, which is expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

At 31 March 2020

10. Tangible fixed assets

	<i>Rights of use assets</i>	<i>Leasehold improvements</i>	<i>Fixtures and fittings</i>	<i>Computers</i>	<i>Total</i>
	£	£	£	£	£
Cost:					
At 1 April 2018	-	135,103	137,627	445,604	718,334
Additions	-	75,280	18,024	49,770	143,074
Disposal	-	(380)	(15,881)	(5,252)	(21,513)
IFRS 16	734,547	-	-	-	734,547
At 1 April 2019	734,547	210,003	139,770	490,122	1,574,442
Additions	1,437,156	403,476	169,170	55,841	2,065,643
Disposal	-	(43,354)	(60,787)	(27,843)	(131,984)
At 31 March 2020	2,171,703	570,125	248,153	518,120	3,508,101
Accumulated depreciation:					
At 1 April 2018	-	69,301	82,822	343,225	495,348
Charge during the year	-	31,009	32,714	101,008	164,731
Disposal	-	(301)	(13,421)	(5,331)	(19,053)
IFRS 16	547,061	-	-	-	547,061
At 1 April 2019	547,061	100,009	102,115	438,902	1,188,087
Charge during the year	186,650	12,069	28,226	51,614	278,559
Disposal	-	(37,126)	(44,803)	(27,843)	(109,772)
At 31 March 2020	733,711	74,952	85,538	462,673	1,356,874
Net book value:					
At 31 March 2020	1,437,992	495,173	162,615	55,447	2,151,227
At 31 March 2019	187,486	109,994	37,655	51,220	386,355

The company has no restrictions on title, no tangible fixed assets are pledged as security for liabilities.

Notes to the financial statements

At 31 March 2020

11. Intangible assets

	<i>Development expenditure</i> £
Cost:	
At 1 April 2018	5,642,398
Additions	817,545
Disposals	-
	<hr/>
At 1 April 2019	6,459,943
Additions	973,168
Impairment	(215,977)
	<hr/>
At 31 March 2020	7,217,134
	<hr/>
Amortisation:	
At 1 April 2018	1,303,790
Charge during the year	498,592
Impairment	-
Disposals	-
	<hr/>
At 1 April 2019	1,802,382
Charge during the year	620,010
Impairment	(205,010)
Disposals	-
	<hr/>
At 31 March 2020	2,217,382
	<hr/>
Net book value:	
At 31 March 2020	4,999,752
	<hr/> <hr/>
At 31 March 2019	4,657,561
	<hr/> <hr/>

As described in note 1, the company performs an impairment review at the end of each reporting period. Directors determined (on a product by product basis) that the useful economic life was still relevant and that they were related to future sales.

Notes to the financial statements

At 31 March 2020

12. Inventory

	<i>31-Mar-20</i>	<i>31-Mar-19</i>
	£	£
Raw materials	8,640	6,793
	<u>8,640</u>	<u>6,793</u>

13. Trade and other receivables

	<i>31-Mar-20</i>	<i>31-Mar-19</i>
	£	£
Trade receivables – third party	783,054	1,479,937
Amounts owed by group undertakings	439,912	3,062,974
Sundry receivables	241,624	351,599
Contract assets	5,065,862	1,813,493
Prepayments and accrued income	139,559	155,358
Other taxation and social security	42,073	-
	<u>6,712,084</u>	<u>6,863,361</u>

Trade receivables disclosed above are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Trade receivables are non-interest bearing and are generally on average terms of 39 days. The carrying amounts of the trade and other receivables are a reasonable approximation of fair value. Trade receivables which are neither past due nor impaired are considered to be fully recoverable. The company does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the company to the counterparty.

Ageing of non-impaired receivables:

	<i>31-Mar-20</i>	<i>31-Mar-19</i>
	£	£
Current	783,054	1,009,129
31 – 60 days	-	316,490
61 – 90 days	-	154,318
91 – 120 days	-	-
	<u>783,054</u>	<u>1,479,937</u>

In determining the recoverability of a trade receivable the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Notes to the financial statements

At 31 March 2020

13. Trade and other receivables (continued)

Contracts in progress at the balance sheet date

	<i>31-Mar-20</i>	<i>31-Mar-19</i>
	£	£
Amounts due from contract customers included in trade and other receivables	783,054	1,479,937
Amounts due to contract customers included in trade and other payables	-	-

There were no amounts due after 12 months.

There was no movement in allowance for doubtful debts.

Notes to the financial statements

At 31 March 2020

14. Trade and other payables

	<i>31-Mar-20</i>	<i>31-Mar-19</i>
	£	£
Trade payables – third party	412,925	508,560
Amounts owed to group undertakings	4,856,060	5,020,895
Other taxation and social security	-	135,788
Contract Liabilities	390,666	1,554,774
Accruals and deferred income	909,268	1,759,839
Lease Liabilities – current	177,095	136,753
Lease Liabilities – non-current	1,262,944	55,282
Other payables	25,445	14,346
	<u>8,034,403</u>	<u>9,186,237</u>

The carrying amounts of the trade and other payables are a reasonable approximation of fair value. The standard supplier credit terms are on average 33 days.

Notes to the financial statements

At 31 March 2020

15. Contingent liabilities at reporting date

There were no contingent liabilities during the year.

16. Provisions for liabilities

The warranty provision represents management's best estimate of the company's liability under 12/24-month warranties granted on TREsa/TRESim products, based on past experience and industry averages for defective products. The dilapidations provision represents management's best estimate of the company's liability. The holiday / time off in lieu provision represents actual untaken time at 31-Mar-20. The probable losses provision represents management's best estimate of the company's liability for future losses on projects.

Expected time frame over which the provision will be utilised:

- Dilapidations: at end of lease (4-5 years)
- Holiday / time off in lieu: 12 months
- Warranty: 12-24 months
- Probable losses: 24 months

	31-03-20	31-03-19
Deferred tax	464,446	354,919
Dilapidations	170,929	248,778
Holiday / TOIL	190,230	162,418
Warranty	234,001	225,086
Probable losses	340,110	484,543
	<u>1,399,716</u>	<u>1,475,744</u>

	<i>Dilapidations</i>	<i>Holiday/TOIL</i>	<i>Warranty</i>	<i>Deferred tax</i>	<i>Probable losses</i>	<i>Total</i>
At 31-03-19	248,778	162,418	225,086	354,919	484,543	1,475,744
Additions	-	(34,870)	(114,368)	109,527	190,110	150,399
Utilisation	(77,849)	62,682	123,283	-	(334,543)	(226,427)
At 31-03-20	<u>170,929</u>	<u>190,230</u>	<u>234,001</u>	<u>464,446</u>	<u>340,110</u>	<u>1,399,716</u>

Current Provisions:	31-03-20	31-03-19
Holiday / TOIL	190,230	162,418
Warranty	4,924	86,337
	<u>195,154</u>	<u>248,755</u>

Non-current provisions:	31-03-20	31-03-19
Dilapidations	170,929	248,778
Warranty	229,077	138,749
Deferred tax	464,446	354,919
Probable losses	340,110	484,543
	<u>1,204,562</u>	<u>1,226,989</u>

Notes to the financial statements

At 31 March 2020

17. Cash and overdraft

Cash and cash equivalents compose the following as 31 March:

	31-Mar-20	31-Mar-19
	£	£
Cash at bank and in hand	1,875,930	2,669,508
Inter-company overdraft	(2,158,570)	-
	<u>(282,640)</u>	<u>2,669,508</u>

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand from Hitachi Europe Limited. Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding intercompany overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the balance sheet position as shown. The overdraft is a cash pooling balance.

18. Share capital

	31-Mar-20	31-Mar-19
	£	£
Allotted, authorized, issued, called up and fully paid Ordinary shares of £1 each	<u>200</u>	<u>200</u>
	<u>200</u>	<u>200</u>

The company has one class of ordinary shares which carry no right to fixed income.

19. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total shareholders' funds</i>
	£	£	£
31 March 2019	200	3,925,173	3,925,373
Effect of change from IAS 17 to IFRS 16	-	(3,776)	(3,776)
Profit for the year	-	233,347	233,347
31 March 2020	<u>200</u>	<u>4,154,744</u>	<u>4,154,944</u>

Notes to the financial statements

At 31 March 2020

20. Notes to the cash flow statement

	<i>Year ended 2020</i>	<i>Year ended 2019</i>
	£	£
Profit before taxation	370,339	481,908
Adjustments to reconcile profit for the year to net cash from operating activities:		
Depreciation charge on tangible fixed assets	278,559	711,792
Disposal of fixed assets	22,212	2,458
Amortisation of intangible fixed assets	620,010	498,592
Impairment charge of intangible fixed assets	10,967	-
(Decrease) / increase in provisions	1,171,976	205,319
Operating cash flows before movements in working capital	2,474,063	1,900,069
(Decrease) / increase in inventory	(1,847)	189,177
IFRS 16 adjustment	-	(3,776)
Increase in trade and other receivables	227,241	(2,053,188)
Increase in trade and other payables	(2,612,794)	3,397,101
Movement in working capital	(2,387,400)	1,529,314
Net cash from operating activities	86,663	3,429,383

21. Operating lease arrangements

At 31 March 2020 the company had minimum lease payments under non-cancellable operating leases as set out below:

	<i>Land and buildings 31 March 2020</i>	<i>Land and buildings 31 March 2019</i>
	£	£
Operating leases which expire:		
Within one year	243,426	138,061
In two to five years	884,421	55,688
Over five years	725,280	-

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of 5 years with an option to extend for a further 5 years at the then prevailing market rate. Due to adoption of IFRS 16 the operating leases are recognised as a right of use asset and a lease liability and depreciated over the term of the lease.

Notes to the financial statements

At 31 March 2020

22. Related party transactions

The company does not have a subsidiary. During the year, the company entered into the following transactions with related parties which include the parent company, ultimate parent company and its fellow subsidiary; Hitachi Rail Europe Limited as Other related parties.

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

		<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>	<i>Amounts owed to related parties, included in accruals</i>
		£000	£000	£000	£000	£000
<i>Entities with significant influence over the company:</i>						
Hitachi Europe Limited	31-03-20	-	1,523	-	103	47
	31-03-19	-	1,953	-	139	56
Hitachi, Ltd	31-03-20	840	1,742	440	-	4,682
	31-03-19	1,163	11,708	281	-	4,815
Hitachi Rail Europe Limited	31-03-20	12,451	169	-	-	24
	31-03-19	18,947	205	23	-	11
Other related parties	31-03-20	-	53	-	-	-
	31-03-19	-	40	-	-	-

Ultimate parent undertaking and controlling party

The immediate parent undertaking is Hitachi Europe Limited, a company registered in England & Wales.

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

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

Notes to the financial statements

At 31 March 2020

23. Financial Instruments

Capital risk management

The company manages its capital to ensure that the company will be able to continue as a going concern whilst maximizing the return to stakeholders. The company's overall strategy remains unchanged from 2018.

The company is not subject to any externally imposed capital requirements and does not have any external borrowings.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 1.

Categories of financial instruments

	31-Mar-20	31-Mar-19
Financial assets:		
Cash and bank balances	1,875,930	2,669,508
Other debt instruments at amortised cost	6,636,120	6,863,361
	<u>8,512,050</u>	<u>9,532,869</u>
Financial liabilities:		
Over-draft facility	2,158,570	-
Trade and other payables	6,518,400	8,994,202
	<u>8,676,970</u>	<u>8,994,202</u>

Financial risk management objectives

The Group's Corporate Treasury function (Hitachi Europe Limited) is supporting the company by providing its Corporate Treasury function to provide services to the business, co-ordinate access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the company. These risks include foreign currency risk, credit risk, and liquidity risk.

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

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The company uses independent rating agencies where available, to assess the creditworthiness of its counterparties. Where official ratings are not available, the company uses other publicly available financial information and its own trading records to rate its major customers. The credit ratings of its counterparty are continuously monitored and the credit exposure is controlled by counterparty limits that are reviewed annually.

Trade receivables consist of a small number of customers, predominantly in the UK. The requirement for impairment is analysed at each reporting date on an individual basis for major clients, considering measurement of expected credit losses, if any. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively.

Notes to the financial statements

At 31 March 2020

23. Financial Instruments (continued)

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

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Liquidity risk

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

Notes to the financial statements

At 31 March 2020

24. Reconciliation of equity as at 1 April 2019 (date of transition to IFRS 16)

	<i>Reported</i> 31-Mar-19	<i>IFRS 16</i> <i>adjustments</i>	<i>Restated</i> 31-Mar-19
Assets			
Non-current assets			
Property, plant and equipment	198,869	187,486	386,355
Intangible assets	4,657,561	-	4,657,561
	<u>4,856,430</u>	<u>187,486</u>	<u>5,043,916</u>
Current assets			
Inventories	6,793	-	6,793
Trade and other receivables	6,863,361	-	6,863,361
Cash at bank and in hand	2,669,508	-	2,669,508
	<u>9,539,662</u>	<u>-</u>	<u>9,539,662</u>
Total assets	<u>14,396,092</u>	<u>187,486</u>	<u>14,583,578</u>
Equity and liabilities			
Equity			
Issued capital	200	-	200
Retained earnings	3,925,173	(3,776)	3,921,397
Total equity	<u>3,925,373</u>	<u>(3,776)</u>	<u>3,921,597</u>
Non-current liabilities			
Non-current provisions	1,227,762	(733)	1,226,989
Current liabilities			
Trade and other payables	8,994,202	192,035	9,186,237
Current provisions	248,755	-	248,755
	<u>9,242,957</u>	<u>136,754</u>	<u>9,379,711</u>
Total liabilities	<u>10,470,719</u>	<u>191,262</u>	<u>10,661,981</u>
Total equities and liabilities	<u>14,396,092</u>	<u>187,486</u>	<u>14,583,578</u>