

**Registered number: 01948743**

# **Komatsu UK Limited**

**Annual report**

**31 March 2023**



# **Komatsu UK Limited**

## **Company information**

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**Directors**

P Blanchard  
T Maeda  
H Miyamoto  
S Reid  
N Tanigawa

**Registered number**

01948743

**Registered office**

Durham Road  
Birtley  
Chester-le-Street  
Durham  
DH3 2QX

**Independent auditor**

UNW LLP  
Chartered Accountants  
Citygate  
St James' Boulevard  
Newcastle upon Tyne  
NE1 4JE

# **Komatsu UK Limited**

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# **Komatsu UK Limited**

## **Strategic report Year ended 31 March 2023**

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### **Introduction**

The directors present their strategic report for the year ended 31 March 2023.

### **Principal activities**

The principal activity of the company during the year was the manufacture and sale of hydraulic excavators.

### **Business model**

Virtually all the company's sales comprise hydraulic excavators manufactured under licence from Komatsu Ltd, the company's ultimate parent. Komatsu Ltd undertakes significant research and development activity in order to design construction equipment offering competitive advantages in terms of functionality, quality and ownership costs.

Sales are primarily made to the European market through a network of distributors organised by Komatsu Europe International NV ("KEISA"), the company's immediate parent. The company operates as a "limited risk contract manufacturer" and manufactures excavators for, and sells them exclusively to, KEISA at pricing set to generate a return on cost.

### **Business review**

#### *Performance*

The results for the year are set out on page 12. The company profit before taxation was £9,096,000 (2022: £6,261,000) and reflects a return in line with the contract manufacturing relationship with KEISA.

Turnover for the year amounted to £353,103,000 (2022: £292,338,000). This increase is primarily due to an 18% increase in sales units, driven by continued strong demand and improvements in market share, together with the recovery of cost inflation resulting from the invasion of Ukraine.

The balance sheet as at 31 March 2023 indicates that the financial position of the company remains strong, with net assets of £90,465,000 (2022: £92,729,000).

#### *Future developments*

The company will continue to operate as a contract manufacturer and will work with KEISA to improve sales volumes. In addition to a focus on improving the measures referred to below, the company will work with KEISA to ensure the product offering continues to meet the demands of European customers.

#### *Measurement*

The company operates within a strategic framework defined by KEISA and the wider Komatsu group, under which a wide variety of financial and non-financial targets and KPIs are measured (see Performance above for some examples). In the opinion of the directors, the business either meets the relevant KPI's or has understood the reason for, and implemented action plans to correct, any which have not been met in the year.

# Komatsu UK Limited

## Strategic report (continued) Year ended 31 March 2023

### Business review (continued)

#### *Principal risks and uncertainties*

The directors constantly monitor the risks and uncertainties facing the company and there are suitable policies in place to manage risks. The directors assess the key risks facing the business as follows:

- Volatility in sales volumes

The experience of recent years highlights the possible volatilities in demand for the company's products in the European market.

To mitigate the risks from sales volume fluctuations, tight control of overhead costs and diversification of product range are the key strategies adopted.

- Exposure to Euro, US Dollar and Japanese Yen exchange rate volatility in both income and expenditure

Hedging mechanisms and exchange rate impact sharing agreements with business partners are utilised to provide a degree of stability where practical.

Under the limited risk contract manufacturer model, the company does not face these risks directly (due to the "cost plus" based transfer pricing) but seeks to manage these risks on behalf of its immediate parent undertaking.

#### *Going concern*

The directors have a reasonable expectation that the company has sufficient financial resources to meet its obligations as they fall due for at least the next twelve months. The directors have therefore concluded that it is appropriate to prepare these financial statements on the going concern basis. See note 3.3 for full details.

### SECR report

The energy used by the company for the year ended 31st March 2023 is as follows:

	2023 Consumption MWH	2023 CO2 (T)	2022 Consumption MWH	2022 CO2 (T)
Electricity	6,315	-	5,589	-
Gas	12,367	2,511	12,446	2,527
Transport - cars (diesel)	113	1	106	1
Transport - FLT (diesel)	79	1	160	2
Transport - FTL (LPG)	1,886	434	1,384	318
Excavator movement (diesel)	2,431	27	2,066	23
<b>Total usage</b>	<b>23,191</b>	<b>2,974</b>	<b>21,751</b>	<b>2,871</b>
<b>Excavators produced</b>			<b>2,611</b>	<b>2,043</b>
<b>Intensity ration (T CO2 / excavator)</b>			<b>1.14</b>	<b>1.41</b>

# Komatsu UK Limited

## Strategic report (continued) Year ended 31 March 2023

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### SECR report (continued)

For Scope 1 disclosures (all items except electricity) the consumption values have been based on meter and/or invoice data. The calculation of diesel used in moving and testing excavators prior to sale is determined from the total invoiced delivered volume of diesel, adjusted for the change in volume in the bulk storage tank, less the metered consumption for fork lift trucks, less the best estimate of residual diesel in each excavator's fuel tank at the time it is sold.

For Scope 2 disclosures (electricity) the consumption data is taken from half hourly meter readings. No CO<sub>2</sub> is disclosed for electricity consumption as the company uses a REGO certified zero carbon supply.

In all cases the determination of CO<sub>2</sub> utilises the factors from the Department for Energy Security and Net Zero as published on the GOV.UK website.

The intensity ratio calculation has been amended to focus on the quantity of excavators produced as the denominator, rather than a production value based figure, which management no longer consider appropriate due to the beneficial impact from cost inflation over time. On the revised basis, the intensity ratio improves from 1.41 to 1.14, reflecting the ongoing efforts to improve energy efficiency and increased production levels.

In relation to Energy efficiency measures, the installation of LED lighting around the site is now substantially complete and the programme to replace aged transformers continues. Parts of the air conditioning system were also replaced with more efficient units during the year. Plans for 2023 will focus on replacement of inefficient motors and upgrading the power correction factor units.

Prior year SECR reporting disclosure has been restated to fully meet SECR requirements as previously used methodology differed from requirements of SECR.

### Directors' statement of compliance with duty to promote the success of the company

The directors of the company must act in accordance with s172 of the UK Companies Act 2006. This requires them to act in good faith in a manner they consider most likely to promote the success of the company for the benefit of its shareholders as a whole, and in doing so have regard to the six key aspects set out below.

1. *The likely consequences of any decisions in the long term:*
  - the business operates as set out in the Business Model and Business Review sections above. In doing so a key consideration is the long-term maintenance of product competitiveness, particularly in terms of cost, delivery and quality;
  - the company operates a governance framework which seeks to ensure that key strategic decisions are made at Board level after appropriate consideration of the long-term impacts. This framework is evaluated against a Komatsu group entity level control checklist each year; and
  - the defined benefit pension scheme represents the company's most significant and long-term liability. The Board works closely with the Trustee of the scheme to ensure that it is appropriately funded on a basis which does not expose the company to significant financial risk.
2. *The interests of the company's employees:*
  - the company operates under the Komatsu Worldwide Code of Business Conduct ("KWCBC"), which staff in management positions must pledge to operate in accordance with. This code includes significant direction in relation to employee engagement, development, safety and welfare
  - the company has gained the ISO45001-2018 occupational health and safety standard, which requires it to demonstrate an effective system to protect employees' health and safety; and
  - elected employee representatives form an Advisory Council which meets with management on monthly basis to discuss matters (raised by either side) impacting employees.

## Komatsu UK Limited

### Strategic report (continued) Year ended 31 March 2023

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#### Directors' statement of compliance with duty to promote the success of the company (continued)

3. *The need to foster the company's business relationships with suppliers, customers and others:*
  - the KWCBC defines Komatsu's corporate value as "the total sum of trust given to us by society and all stakeholders" and directs all Komatsu companies to behave accordingly;
  - the company aims to meet regularly with suppliers to build open, constructive and long-term business relationships. Staff are encouraged to share best practice in aspects such as quality and health and safety, and a vendor rating system provides suppliers with feedback on all aspects of their performance. The company holds an annual suppliers' day, at which it explains the company's status and plans insofar as they will impact suppliers; and
  - the company sells all its output to KEISA (see Business Review above) and takes direction from KEISA in relation to customer and product related issues. However, staff also frequently visit KEISA's distributors, and their retail customers' jobsites, in order to understand customer feedback in relation to products and service levels first hand. Distributors are encouraged to bring their customers to the company's site to see the production process and test the products, which gives management the opportunity to gain additional insight into customers' requirements.
4. *The impact of the company's operations on the community and environment:*
  - the KWCBC states that Komatsu companies must be seen to be responsible corporate citizens;
  - the company has gained the ISO 14001-2015 environmental standard, which requires it to operate an effective system of controls to manage and monitor its impact on the environment; and
  - engagement with the community takes the form of maintaining an active and open relationship with Gateshead Council and local and national business groups. The company actively supports "STEM" activities involving local schoolchildren and university students and supports a number of local charities.
5. *The desirability of the company maintaining a reputation for high standards of business conduct:*
  - this is the cornerstone of the KWCBC. It emphasises total compliance with the "rules" of business conduct, noting that compliance is required in all circumstances, ignorance is not an excuse for failure to comply and failure to comply must never be covered up. A global whistleblowing hotline and whistleblowing policy are in place to encourage reporting of non-compliance; and
  - the company has a control committee and a risk management committee which consider all aspects of compliance and how the company is discharging its obligations in relation thereto.
6. *The need to act fairly between members of the company:*
  - the company has one shareholder which in turn is wholly owned by the ultimate parent company (see note 28); and
  - within the constraints of UK company law, the company's dealings with its member are undertaken in accordance with Komatsu Group rules.

This report was approved by the board on 18 September 2023 and signed on its behalf by:

DocuSigned by:  
  
P Blanchard  
Director

## **Komatsu UK Limited**

### **Directors' report Year ended 31 March 2023**

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The directors present their report and the financial statements for the year ended 31 March 2023.

#### **Financial instruments**

In the opinion of the directors there are no specific issues in respect of price, credit, liquidity or cash flow risk that would need to be set out herein in order to provide an enhanced understanding of the results of the company.

The financial risk management policy in respect of foreign currency exposure is referred to in the strategic report. The company arranges a system of quarterly hedges, based on forecast transactions for the subsequent quarter, using a combination of forward exchange contracts and currency options. The forward foreign exchange contracts in place at the year end cover the April 2023 to June 2023 quarter's transactions are detailed in note 19.

#### **Results and dividends**

Dividends paid during the year comprise a final dividend of £1,227,000 in respect of the previous year ended 31 March 2022 (2022: a final dividend of £838,302 in respect of the year ended 31 March 2021).

The directors have proposed a final ordinary dividend in respect of the current financial year of £2,220,000 (2022: £1,227,000). This has not been included within creditors as it was not approved before year end.

#### **Directors**

The directors who served during the year up to the date of signing the financial statements were:

P Blanchard  
T Maeda  
H Miyamoto  
S Reid  
N Tanigawa (appointed 1 April 2022)  
T Furukoshi (resigned 1 April 2022)  
D Kilkenny (resigned 30 September 2022)

#### **Employees**

The company holds monthly Advisory Council meetings at which elected employee representatives meet with senior management to discuss business issues raised by either party. The minutes of such meetings are published to all staff. In addition, there is a monthly briefing of key business information which is presented by each departmental manager to their staff. There are also twice yearly presentations, explaining the status of the company and the wider Komatsu group, given by the Managing Director to all staff. The company runs schemes for management and employees under which individual and/or collective performance against specific targets is linked to remuneration.

The company is generally active in its support of disabled persons through a variety of initiatives. Full and fair consideration is given in every respect when dealing with employment applications from people with disabilities. In the event that an employee suffers an illness or disability while in employment the company will review what reasonable adjustments can be made in order to allow them to continue in their role.

#### **Political contributions**

The company made no political donations nor incurred any political expenditure during the year (2022: £nil).

#### **Matters covered in the strategic report**

An indication of likely future developments in the business, engagement with suppliers, customers and others in a business relationship and financial risk management have been included in the strategic report on page 1.



## Komatsu UK Limited

### Directors' report (continued) Year ended 31 March 2023

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#### Disclosure of information to auditor

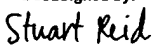
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### Auditor

UNW LLP have been appointed as auditor during the year. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and UNW LLP will therefore continue in office.

This report was approved by the board on 18 September 2023 and signed on its behalf by:

DocuSigned by:  
  
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**S Reid**  
Director

## **Komatsu UK Limited**

### **Directors' responsibilities statement Year ended 31 March 2023**

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The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 to 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 auditor's report to the members of Komatsu UK Limited**

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### **Opinion**

We have audited the financial statements of Komatsu UK Limited (the 'company') for the year ended 31 March 2023, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state 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 United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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



## **Independent auditor's report to the members of Komatsu UK Limited (continued)**

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### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion 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 the 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 the 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 7, 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.



## **Independent auditor's report to the members of Komatsu UK Limited (continued)**

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### **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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified areas of law and regulations that could reasonably be expected to have a material effect on the financial statements from our general and sector experience and through discussions with the directors and other management (as required by Auditing Standards) and from inspection of the company's legal correspondence and we discussed with the directors and other management the policies and procedures in place regarding compliance with the laws and regulations. We communicated identified laws and regulations throughout our audit team and remained alert to any indications of non-compliance throughout the audit.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect; health and safety, employment law, data protection, environmental law and certain aspects of company legislation, recognising the nature of the company's activities. Auditing Standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures we did not become aware of any actual or suspected non-compliance material to the financial statements.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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



## Independent auditor's report to the members of Komatsu UK Limited (continued)

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### Use of our report

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

DocuSigned by:

*Michael Morris*

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**Michael Morris FCA FCCA (Senior Statutory Auditor)**  
**for and on behalf of UNW LLP, Statutory Auditor**  
Chartered Accountants  
Newcastle upon Tyne

18 September 2023

## Komatsu UK Limited

### Statement of comprehensive income Year ended 31 March 2023

	Note	2023 £000	2022 £000
<b>Profit and loss account</b>			
Turnover	5	353,103	292,338
Net operating expenses	6	(344,167)	(284,930)
<b>Operating profit</b>		<u>8,936</u>	<u>7,408</u>
Interest receivable and similar income	11	1,005	511
Interest payable and similar expenses	12	(845)	(1,658)
<b>Profit before tax</b>		<u>9,096</u>	<u>6,261</u>
Tax on profit	13	(1,975)	(2,171)
<b>Profit for the financial year</b>		<u>7,121</u>	<u>4,090</u>
<b>Other comprehensive expense for the year</b>			
Remeasurement of the net defined benefit asset	26	(10,878)	110
Income tax on other comprehensive (expense)/income	21	2,720	(1,294)
<b>Other comprehensive expense for the year</b>		<u>(8,158)</u>	<u>(1,184)</u>
<b>Total comprehensive (expense)/income for the year</b>		<u>(1,037)</u>	<u>2,906</u>

The notes on pages 15 to 36 form part of these financial statements.

# Komatsu UK Limited

## Balance sheet At 31 March 2023

	Note	2023 £000	As restated 2022 £000
<b>Fixed assets</b>			
Tangible assets	15	16,219	16,513
<b>Current assets</b>			
Stocks	16	98,260	93,162
Debtors	17	46,392	41,253
Bank and cash balances		497	8,549
		<u>145,149</u>	<u>142,964</u>
Creditors: amounts falling due within one year	18	(49,792)	(85,864)
<b>Net current assets</b>		<u>95,357</u>	<u>57,100</u>
<b>Total assets less current liabilities</b>		<u>111,576</u>	<u>73,613</u>
Creditors: amounts falling due after more than one year	20	(32,460)	-
<b>Provisions for liabilities</b>			
Deferred tax liability	21	(7,382)	(9,165)
Other provisions	22	(4,975)	(4,851)
Pensions and similar obligations	26	(1,972)	(3,272)
		<u>(14,329)</u>	<u>(17,288)</u>
Pension asset	26	25,678	36,404
<b>Net assets</b>		<u>90,465</u>	<u>92,729</u>
<b>Capital and reserves</b>			
Called up share capital	23	23,810	23,810
Profit and loss account	24	66,655	68,919
<b>Shareholders' funds</b>		<u>90,465</u>	<u>92,729</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 September 2023.

DocuSigned by:  
  
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**S Reid**  
 Director

Company registered number: 01948743

The notes on pages 15 to 36 form part of these financial statements.



## Komatsu UK Limited

### Statement of changes in equity Year ended 31 March 2023

	Called up share capital £000	Profit and loss account £000	Total equity £000
<b>At 1 April 2021</b>	<b>23,810</b>	<b>66,851</b>	<b>90,661</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	4,090	4,090
Remeasurement of the net defined benefit asset	-	110	110
Income tax on other comprehensive income	-	(1,294)	(1,294)
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>(1,184)</b>	<b>(1,184)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>2,906</b>	<b>2,906</b>
<b>Contributions by and distributions to owners</b>			
Dividends	-	(838)	(838)
<b>Total transactions with owners</b>	<b>-</b>	<b>(838)</b>	<b>(838)</b>
<b>At 1 April 2022</b>	<b>23,810</b>	<b>68,919</b>	<b>92,729</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	7,121	7,121
Remeasurement of the net defined benefit asset	-	(10,878)	(10,878)
Income tax on other comprehensive expense	-	2,720	2,720
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>(8,158)</b>	<b>(8,158)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(1,037)</b>	<b>(1,037)</b>
<b>Contributions by and distributions to owners</b>			
Dividends	-	(1,227)	(1,227)
<b>Total transactions with owners</b>	<b>-</b>	<b>(1,227)</b>	<b>(1,227)</b>
<b>At 31 March 2023</b>	<b>23,810</b>	<b>66,655</b>	<b>90,465</b>

The notes on pages 15 to 36 form part of these financial statements.

# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

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### 1. General information

Komatsu UK Limited ('the company') is engaged in the manufacture and sale of hydraulic excavators.

The company is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is given in the company information page of this annual report.

### 2. Statement of compliance

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 '*The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland*' ('FRS 102') and the Companies Act 2006.

### 3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### 3.1 Basis of preparation of financial statements

These financial statements are prepared on a going concern basis and under the historical cost convention, as modified by the recognition financial instruments at fair value. They are presented in pounds sterling.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

#### 3.2 Financial Reporting Standard 102 - reduced disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions. The company meets the definition of a qualifying entity and has taken advantage of the exemptions relating to financial instruments, the disclosure of key management personnel compensation and the preparation of a cash flow statement. The consolidated financial statements of Komatsu Ltd, the ultimate parent company, include the equivalent key management personnel compensation disclosures and a consolidated cash flow statement.

# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

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### 3. Accounting policies (continued)

#### 3.3 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 company has financial arrangements with its fellow subsidiary, Komatsu Europe Coordination Centre NV. Under these arrangements the company has a committed funding facility of Euro 55,000,000, which cannot be withdrawn prior to 31 December 2024 (at the earliest) and a further uncommitted facility of Euro 15,000,000.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking into account what the directors consider to be significant downside sensitivities to base case sales volumes, the company's borrowing requirements will remain within the committed facility.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### 3.4 Revenue

##### *Turnover*

Turnover comprises revenue recognised from the provision of services during the year, including the sale of hydraulic excavators. Revenue is measured as the fair value of consideration received or receivable, excluding incentives, discounts, value added tax and other sales taxes.

Turnover is recognised at the point of dispatch of goods and for services when they have been provided. Payments received in advance of services being provided are recorded as deferred income until such time as the revenue can be recognised.

##### *Interest income*

Interest income is recognised on an accruals basis, using the effective interest method.

#### 3.5 Foreign currency

The company's functional currency is the pound sterling.

##### *Transactions and balances*

Transactions in foreign currencies are translated into sterling using the spot or hedged exchange rates at the dates of the transactions. At each period end, foreign currency monetary assets and liabilities are translated using the closing rate. Foreign exchange gains and losses are recognised in the profit and loss account.

#### 3.6 Employee benefits

##### *Short-term benefits*

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### *Defined contribution pension plan*

The company operates a defined contribution pension plan for its employees. Contributions are recognised as an expense when they fall due. Amounts due but not yet paid are included within creditors on the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

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### 3. Accounting policies (continued)

#### 3.6 Employee benefits (continued)

##### ***Defined benefit pension plan***

The company operates a defined benefit pension scheme for its employees. The assets of the scheme are held separately from those of the company.

The asset recognised in the balance sheet in respect of the plan is the fair value of plan assets at that date, out of which the obligations are to be settled less the present value of the defined benefit obligation at the year end.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured based on quoted prices in an active market, unless such information is not available, in which case, appropriate valuation techniques are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit pension asset'.

The cost of the defined benefit plan, recognised in the profit and loss account as employee costs, comprises current service cost.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the profit and loss account as a 'finance expense'.

##### ***Termination benefits***

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

#### 3.7 Leases

All of the company's leasing arrangements are operating leases. Rental payments under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis.

#### 3.8 Interest payable

Interest payable and similar expenses include interest payable, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

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### 3. Accounting policies (continued)

#### 3.9 Taxation

The taxation expense for the year comprises current and deferred tax and is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income, or directly in equity, in which case the tax expense is also recognised in other comprehensive income or directly in equity.

Current tax is the amount of income tax payable in respect of the taxable profit for the current or past reporting periods. It is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences arise from the inclusion of transactions and events in the financial statements in periods different from those in which they are assessed for tax.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences.

#### 3.10 Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their estimated useful lives as follows:

Freehold land and buildings	- 15 - 25 years straight line
Plant and machinery	- 3 - 15 years straight line
Fixtures and fittings	- 5 years straight line

Asset residual values and useful lives are reviewed at the end of each reporting period, and adjusted if appropriate. The effect of any change is accounted for prospectively.

#### 3.11 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

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### 3. Accounting policies (continued)

#### 3.12 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all direct costs and, for manufactured stocks and work in progress, an appropriate proportion of fixed and variable overheads (based on normal operating capacity). Cost is determined using the first-in, first-out (FIFO) method.

Provision is made as necessary for damaged, obsolete or slow-moving items.

#### 3.13 Financial instruments

##### *Basic debt instruments*

The company's basic debt instruments, including trade and other accounts receivable and payable, cash and bank balances, loans to or from related parties, including fellow group companies are all due within one year and are measured, initially and subsequently, at the transaction price.

At the end of each reporting period, financial assets are assessed for impairment, and their carrying value reduced if necessary. Any impairment charge is recognised in the profit and loss account.

##### *Derivative financial instruments*

Derivative financial instruments, comprising forward currency contracts, are initially recognised at fair value at the date the contract is entered into and are subsequently remeasured to their fair value based on quoted market prices at each reporting date. Changes in fair value are recognised in the profit and loss account within administrative expenses.

The company does not currently apply hedge accounting for its forward currency contracts.

#### 3.14 Provisions for liabilities

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

Provisions are charged as an expense to the profit and loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

#### 3.15 Dividends

Dividends are recognised as a liability in the financial statements in the period in which they are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

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### 4. Judgments in applying accounting policies and key sources of estimation uncertainty

In the preparation of the financial statements, it is necessary for the management of the company to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The key areas requiring the use of estimates and judgements which may significantly affect the financial statements are considered to be:

#### ***Fixed asset depreciation***

The company determines an appropriate useful economic life for tangible fixed assets in order to calculate the depreciation charge. Management apply their judgment in assessing the useful economic life, and in exceptional cases, this may fall outside of the policy at note 3.10 above.

#### ***Stock recoverability***

The company designs, manufactures and sells products which are subject to changing technological advances. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 16 for the net carrying amount of the inventory and associated provision.

#### ***Estimation uncertainty of the defined benefit pension scheme***

The company has an obligation to pay pension benefits to certain current and former employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension surplus in the balance sheet. The assumptions reflect historical experience and current trends. See note 26 for the assumptions relating to the defined benefit pension scheme.

#### ***Provision estimation***

Provision is made for warranty costs. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. See note 22 for the carrying value of warranty provisions.

# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

### 5. Turnover

An analysis of turnover by class of business is as follows:

	2023 £000	2022 £000
Sale of goods	<b>353,103</b>	292,338

Analysis of turnover by country of destination:

	2023 £000	2022 £000
United Kingdom	<b>78,565</b>	72,982
Rest of Europe	<b>265,653</b>	212,301
United States of America	<b>123</b>	10
Rest of the world	<b>8,762</b>	7,045
	<b>353,103</b>	292,338

Turnover is measured at the fair value of the right to consideration net of sales related rebates, discounts and value added tax.

### 6. Operating profit

The operating profit is stated after (crediting)/charging:

	2023 £000	2022 £000
Change in stocks of finished goods and work in progress	<b>(14,802)</b>	(9,993)
Other operating income (note 8)	<b>(6,768)</b>	(5,416)
Raw materials and consumables	<b>285,692</b>	244,627
Other external charges	<b>30,803</b>	18,292
Staff costs (note 9)	<b>30,815</b>	26,210
Depreciation of tangible fixed assets (note 15)	<b>2,614</b>	2,316
Impairment loss on fixed assets (note 15)	<b>408</b>	-
(Profit)/loss on disposal of fixed assets	<b>5</b>	-
Impairment loss on inventories	<b>(38)</b>	587
Operating lease charges	<b>461</b>	316
Net exchange gains	<b>1,789</b>	(1,996)
Other operating charges	<b>13,188</b>	9,987
	<b>344,167</b>	284,930



# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

### 7. Auditor's remuneration

	2023 £000	2022 £000
Audit of these financial statements paid to UNW LLP	63	-
Audit of these financial statements paid to KPMG LLP	20	85
	<u>83</u>	<u>85</u>
<b>Fees payable to the company's auditor in respect of:</b>		
Other services pursuant to legislation to KPMG LLP	<u>30</u>	<u>20</u>

### 8. Other operating income

	2023 £000	2022 £000
Income from supply of staff to other group companies	3,379	2,958
Income from design services	2,870	2,056
Other income	519	402
	<u>6,768</u>	<u>5,416</u>

# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

### 9. Employees

Staff costs, including directors' remuneration, were as follows:

	2023 £000	2022 £000
Wages and salaries	24,692	20,960
Social security costs	2,776	2,207
Contributions to defined contribution scheme	2,256	1,798
Expenses related to defined benefit plans	1,091	1,245
	<u>30,815</u>	<u>26,210</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2023 No.	2022 No.
Production	351	285
Other factory staff	13	13
Administration and other staff	156	151
Staff supplied to other group companies	35	31
	<u>555</u>	<u>480</u>

### 10. Directors' remuneration

	2023 £000	2022 £000
Directors' emoluments	<u>863</u>	<u>877</u>

During the year retirement benefits were accruing to 3 directors (2022: 3) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £475,000 (2022: £389,000).

The total accrued pension provision of the highest paid director at 31 March 2023 amounted to £47,000 (2022: £43,000).

The amount of the accrued lump sum in respect of the highest paid director at 31 March 2023 amounted to £nil (2022: £nil).

# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

### 11. Interest receivable

	2023 £000	2022 £000
Net gain on derivative financial instruments designated at fair value through profit or loss (note 19)	287	-
Net interest income on net defined benefit plan assets (note 26)	699	511
Other interest receivable	19	-
	<u>1,005</u>	<u>511</u>

### 12. Interest payable and similar expenses

	2023 £000	2022 £000
Interest payable on loans from group undertakings	845	80
Net loss on derivative financial instruments designated at fair value through profit or loss (note 19)	-	1,578
	<u>845</u>	<u>1,658</u>

### 13. Taxation

	2023 £000	2022 £000
<b>Corporation tax</b>		
Current tax on profits for the year	1,306	897
Adjustments in respect of previous periods	(268)	13
	<u>1,038</u>	<u>910</u>
<b>Total current tax</b>	<u>1,038</u>	<u>910</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	468	284
Adjustments in respect of previous years	321	60
Effect of increase in tax rate	148	917
	<u>937</u>	<u>1,261</u>
<b>Total deferred tax</b>	<u>937</u>	<u>1,261</u>
<b>Taxation on profit</b>	<u>1,975</u>	<u>2,171</u>

# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

### 13. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022: higher than) the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	<b>2023</b> <b>£000</b>	2022 £000
Profit before tax	<b>9,096</b>	6,261
Profit multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%)	<b>1,728</b>	1,190
<b>Effects of:</b>		
Tax rate changes	<b>148</b>	916
Non-deductible expenses	<b>103</b>	20
Income not taxable	<b>(57)</b>	(28)
Adjustment from previous periods	<b>53</b>	73
<b>Total tax charge for the year</b>	<b>1,975</b>	2,171

#### Factors that may affect future tax charges

In the March 2021 Budget, it was announced that the main UK corporation tax rate would remain at 19% for the financial years beginning 1 April 2021 and 1 April 2022, then increase to 25% from 1 April 2023. This rate increase was substantively enacted as part of the Finance Act 2021 on 24 May 2021. Therefore deferred tax at the balance sheet date has been calculated at 25% (2022: 25%), as this was the tax rate substantively enacted at the year end.

### 14. Dividends

The aggregate amount of dividends comprises:

	<b>2023</b> <b>£000</b>	2022 £000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	<b>1,227</b>	838

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is £2,220,000 (2022: £1,227,000).

## Komatsu UK Limited

### Notes to the financial statements Year ended 31 March 2023

#### 15. Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
<b>Cost</b>				
At 1 April 2022	26,287	53,003	869	80,159
Additions	891	1,773	79	2,743
Disposals	(5)	(22)	(1)	(28)
At 31 March 2023	27,173	54,754	947	82,874
<b>Depreciation</b>				
At 1 April 2022	20,445	42,502	699	63,646
Charge for the year	695	1,859	60	2,614
Disposals	(4)	(8)	(1)	(13)
Impairment charge	83	325	-	408
At 31 March 2023	21,219	44,678	758	66,655
<b>Net book value</b>				
At 31 March 2023	5,954	10,076	189	16,219
At 31 March 2022	5,842	10,501	170	16,513

An impairment of £83,000 has been recorded for a building which is being disposed of at nil value and an impairment of £325,000 relating to a boom fixture as it no longer works and is considered to be of no use. The assets have been written down to their estimated value-in-use.

#### 16. Stocks

	2023 £000	2022 £000
Raw materials and consumables	65,244	74,948
Work in progress	15,009	13,753
Finished goods and goods for resale	18,007	4,461
	98,260	93,162

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £270,890,000 (2022: £234,634,000). Stock is stated after provisions for impairment of £1,551,000 (2022: £1,843,000).

# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

### 17. Debtors

	2023 £000	As restated 2022 £000
Trade debtors	405	371
Amounts owed by group undertakings	43,843	39,939
Other debtors	1,894	866
Prepayments and accrued income	250	77
	<b>46,392</b>	<b>41,253</b>

Trade debtors is stated after provisions for impairment of £nil (2022: £nil).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

During the year the company noted that an import VAT receivable and payable had been grossed up within the financial statements in prior periods. As a consequence, other debtors and accruals and deferred income have been overstated by £10,832,000 in the 2022 financial statements. The error has been corrected by restating each of the affected financial statement line items for the prior period.

### 18. Creditors: amounts falling due within one year

	2023 £000	As restated 2022 £000
Trade creditors	21,344	28,508
Funding advances from group undertakings (see note 20)	-	24,465
Amounts owed to group undertakings	20,963	25,605
Corporation tax	530	349
Other taxation and social security	867	760
Accruals and deferred income	5,146	4,948
Derivative financial instruments (note 19)	942	1,229
	<b>49,792</b>	<b>85,864</b>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

### 19. Financial instruments

	2023 £000	2022 £000
<b>Financial assets at fair value through profit or loss</b>		
Derivative financial instruments	<u>(942)</u>	<u>(1,229)</u>

#### *Derivative financial instruments - forward contracts*

The company is party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. At the balance sheet date, the company has outstanding forward currency contracts, all of which mature within three to six months. The fair values of these instruments at the year end were as follows:

	Currency	2023 Nominal value in currency '000	Fair value £000	Currency	2022 Nominal value in currency '000	Fair value £000
Sell	EUR	9,306	(12)	EUR	93,577	(778)
Buy	EUR	100,471	(268)	EUR	-	-
Sell	JPY	2,937,670	(428)	JPY	359,280	1
Buy	JPY	263,395	33	JPY	3,936,156	(518)
Sell	USD	27,839	(280)	USD	2,381	(1)
Buy	USD	4,337	13	USD	20,911	67
			<u>(942)</u>			<u>(1,229)</u>

Changes in the fair value of the above non-hedging currency derivatives amounted to a gain of £287,000 (2022: loss of £1,578,000) and have been recognised in the profit and loss account in the year.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:EUR, GBP:JPY and GBP:USD.

### 20. Creditors: amounts falling due after more than one year

	2023 £000	2022 £000
Funding advances from group undertakings	<u>32,460</u>	<u>-</u>

Funding advances from group undertakings represent a rolling credit facility which is unsecured and incurs interest at a flexible rate. The facility is repayable on notice being served from the lender, with the notice period being a minimum of 21 months from the balance sheet date.

At 31 March 2022 the facility was repayable within a year of the balance sheet date and therefore is held within creditors falling due in less than one year.

## Komatsu UK Limited

### Notes to the financial statements Year ended 31 March 2023

#### 21. Deferred taxation

	2023 £000
At beginning of year	9,165
Charged to profit or loss	937
Credited to other comprehensive income	(2,720)
<b>At end of year</b>	<b>7,382</b>

The provision for deferred taxation is made up as follows:

	2023 £000	2022 £000
Accelerated capital allowances	1,438	839
Employee benefits	5,907	8,284
Derivative financial instruments	37	42
	<b>7,382</b>	<b>9,165</b>

The directors are not able to forecast the extent to which the net deferred tax liability will reverse in 2024 (2023: uncertain) as the balance primarily relates to pension actuarial adjustments, of which the nature and magnitude of future movements cannot be predicted with any certainty.

#### 22. Provisions

	Other provisions £000
At 1 April 2022	4,851
Charged to profit or loss	2,112
Utilised in year	(1,988)
<b>At 31 March 2023</b>	<b>4,975</b>

Provisions represent warranty cover which is provided for periods of one to three years and is in respect of machine and component failure. The major uncertainty is the timing and extent of such failures.



# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

### 23. Share capital

	2023 £000	2022 £000
<b>Allotted, called up and fully paid</b>		
23,810,000 (2022: 23,810,000) Ordinary shares of £1 each	<b>23,810</b>	23,810

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

#### *Dividends*

Dividends paid during 2023 comprised a final dividend of £1,227,000 in respect of year ended 31 March 2022. No dividend was paid in respect of the current year. The directors have proposed a final ordinary dividend in respect of the current financial year of £2,220,000. The directors expect approval and payment prior to the end of September 2023.

### 24. Reserves

#### **Profit and loss account**

The profit and loss account reserve represents cumulative profits and losses, net of cumulative dividends paid and other adjustments.

### 25. Capital commitments

At 31 March 2023 the company had capital commitments as follows:

	2023 £000	2022 £000
Contractual commitments to purchase fixed assets	<b>333</b>	1,389

# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

### 26. Employee benefits

#### *Defined contribution pension scheme*

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £2,256,000 (2022: £1,798,000).

Contributions amounting to £nil (2022: £nil) were payable to the scheme at the year end.

#### *Defined benefit pension scheme*

The company also operates a pension scheme, the Komatsu UK Staff Pension Scheme, providing benefits based on final pensionable pay. This scheme was closed to all new entrants after 30 September 2002 and thereafter a new defined contribution scheme (see above) is being offered to new employees who join the company or wish to transfer from the existing defined benefits scheme.

With effect from 1 April 2015 changes were introduced to the Komatsu UK Staff Pension Scheme whereby: future increases in pensionable salary were limited to RPI inflation (capped at 5%) each year; benefits are accrued from 1 April 2015 onwards at a rate of 1/70th of pensionable salary each year rather than 1/60th and will increase once in payment in line with RPI subject to an annual maximum of 2.5%; and the rate of contributions paid by active members increased from 7% to 10% of pensionable salaries.

The valuation used for FRS 102 disclosures has been based on the formal actuarial valuation as at 31 March 2022, and was updated for FRS 102 purposes to 31 March 2023 by a qualified independent actuary. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

Employer contributions in the accounting period amounted to £1,237,000 (2022: £1,323,000). Basic contributions were payable at 32.1% until 31st January 2023, after which they reduced to 30.4% (2022: 32.1%) of pensionable salaries and amounting to £1,012,000 (2022: £1,083,000). Employer pensions paid through salary sacrifice amounted to £225,000 (2022: £240,000).

#### *Net pension asset:*

	2023 £000	2022 £000
Defined benefit obligation	(72,269)	(109,598)
Plan assets	97,947	146,002
<b>Net pension asset</b>	<b>25,678</b>	<b>36,404</b>

## Komatsu UK Limited

### Notes to the financial statements Year ended 31 March 2023

#### 26. Employee benefits (continued)

Movements in present value of defined benefit obligation:

	2023 £000	2022 £000
At 1 April	(109,598)	(122,309)
Current service cost	(1,091)	(1,245)
Interest cost	(3,001)	(2,540)
Actuarial gains	36,683	2,851
Contributions by members	(92)	(98)
Benefits paid	4,830	13,743
<b>At 31 March</b>	<b>(72,269)</b>	<b>(109,598)</b>

Movements in fair value of plan assets:

	2023 £000	2022 £000
At 1 April	146,002	158,058
Interest income	4,035	3,339
Remeasurement: return on plan assets less interest income	(48,334)	(2,858)
Contributions by employer	1,237	1,323
Administration expenses	(255)	(215)
Contributions by members	92	98
Benefits paid	(4,830)	(13,743)
<b>At 31 March</b>	<b>97,947</b>	<b>146,002</b>

Expense recognised in the profit and loss account:

	2023 £000	2022 £000
Current service cost	(1,091)	(1,245)
Administration expenses	(255)	(215)
Net interest on net defined benefit asset	1,034	799
<b>Total expense recognised in profit or loss</b>	<b>(312)</b>	<b>(661)</b>

# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

### 26. Employee benefits (continued)

The expense is recognised in the following line items in the profit and loss account

	2023 £000	2022 £000
Net operating expenses - staff costs	(1,091)	(1,245)
Interest receivable and similar income	779	584
	<u>(312)</u>	<u>(661)</u>

Gains and losses recognised directly in equity:

	2023 £000	2022 £000
Remeasurement losses recognised in the year	<u>(11,651)</u>	<u>(7)</u>

The fair value of the plan assets and the return on those assets were as follows:

	2023 Fair value £000	2022 Fair value £000
Government bonds	38,863	47,973
Corporate bonds	56,012	94,484
Property	2,624	2,968
Other	448	577
	<u>97,947</u>	<u>146,002</u>
Interest income	4,035	3,339
Remeasurement: return on plan assets less interest income	<u>(48,334)</u>	<u>(2,858)</u>
<b>Actual return on plan assets</b>	<u><b>(44,299)</b></u>	<u><b>481</b></u>

At 31 March 2023, none of the fair value of scheme assets related to self-investment.

## Komatsu UK Limited

### Notes to the financial statements Year ended 31 March 2023

#### 26. Employee benefits (continued)

Principal actuarial assumption (expressed as weighted averages) at the year end were as follows:

	2023 %	2022 %
Discount rate	4.8%	2.8%
Future salary increases	3.0%	3.7%
Inflation (RPI)	3.3%	3.7%
Inflation (CPI - pre retirement)	2.9%	3.9%
Inflation (CPI - post retirement)	2.9%	3.3%
Deferred pension revaluation (pre April 2009 - CPI max 5%)	2.9%	3.9%
Deferred pension revaluation (post April 2009 - CPI max 2.5%)	2.5%	2.5%
Pension increase (post 5 April 2015)	2.0%	2.1%
Pension increase (5 April 1997 to above date)	3.0%	3.2%
Pension increase (pre 6 April 1997)	2.3%	2.4%
Pension increase (post 1988 GMP)	2.1%	2.3%
Pension increase (pre 1988 GMP)	Nil	Nil

In valuing the liabilities of the pension fund at 31 March 2023, mortality assumptions has been made as indicated below. If life expectancy has been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2023 would have increased by £1,607,000.

#### *Mortality assumptions*

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 21.5 years if they are male and for a further 23.9 years if they are female. For a member currently aged 45, the assumptions are that they will live on average for a further 22.4 years after retirement at 65 if they are male and for a further 25.3 years after retirement at 65 if they are female.

The company expects to contribute approximately £1,275,000 to its defined benefit plans in the next financial year.

#### **Employer Financed Retirement Benefit Scheme (EFRBS)**

During 2012 an employee opted out of the Komatsu UK Staff Pension Scheme, with future benefits being provided via an unfunded arrangement. Under this arrangement benefits will be provided in relation to post 2012 increases in salary that would have applied to past service had the employee remained in the Komatsu UK Staff Pension Scheme. This employee has now left the company so the cost relating to this arrangement, included within operating profit, was £nil (2022: £nil).

The present value of the unfunded defined benefit obligation is based on calculations carried out by a qualified independent actuary to take account of the requirements of FRS 102 in order to assess the liability at 31 March 2023.

# Komatsu UK Limited

## Notes to the financial statements Year ended 31 March 2023

### 26. Employee benefits (continued)

#### Pension liability

	2023 £000	2022 £000
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Present value of unfunded defined benefit obligation	(1,972)	(3,272)
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#### Movements in present value of the unfunded defined benefit obligation:

	2023 £000	2022 £000
At 1 April	(3,272)	(3,316)
Interest expense	(80)	(73)
Remeasurement: actuarial gain	773	117
Benefits paid	607	-
At 31 March	(1,972)	(3,272)

#### Expense recognised in the profit and loss account:

	2023 £000	2022 £000
Net interest on net defined benefit liability	(80)	(73)
<b>Total expense recognised in profit or loss</b>	<b>(80)</b>	<b>(73)</b>

#### The expense is recognised in the following line items in the profit and loss account:

	2023 £000	2022 £000
Interest payable and similar expenses	(80)	(73)
	(80)	(73)

## Komatsu UK Limited

### Notes to the financial statements Year ended 31 March 2023

#### 26. Employee benefits (continued)

Gains and losses recognised directly in equity:

	2023 £000	2022 £000
Remeasurement gains recognised in the year	773	117

Principal actuarial assumptions, where relevant, are the same as shown above for the defined benefit scheme.

The mortality assumptions used by the independent qualified actuaries to calculate the liability under FRS 102 were the same as those relating to the Komatsu UK Staff Pension Scheme as noted above.

If life expectancy had been changed to assume that the members lived for one year longer, the value of the reported liabilities at 31 March 2023 would have increased by £44,000.

#### 27. Commitments under operating leases

At 31 March 2023 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £000	2022 £000
Not later than 1 year	970	338
Later than 1 year and not later than 5 years	3,094	1,082
	4,064	1,420

#### 28. Controlling party

The immediate parent undertaking of the company is Komatsu Europe International NV which owns 100% of the company's ordinary share capital. The parent company is a subsidiary undertaking of Komatsu Ltd, which is the ultimate parent company incorporated in Japan.

The only group in which the results of the company are consolidated is that headed by Komatsu Ltd, incorporated in Japan. The consolidated financial statements of this group are available to the public and may be obtained from its registered office at Komatsu Ltd, Komatsu Building, 2-3-6 Akasaka, Minato-Ku, Tokyo, 107, Japan.