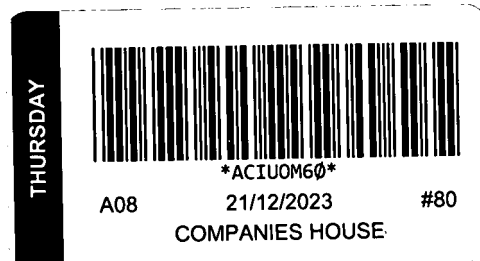


Registered Number: 01082975 (England and Wales)

Strategic Report, Report of the Directors and
Financial Statements
for the Year Ended 31 March 2023
for
Hitachi Construction Machinery (UK)
Limited



**Hitachi Construction Machinery (UK)
Limited**

**Contents of the Financial Statements
for the Year Ended 31 March 2023**

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Hitachi Construction Machinery (UK)
Limited

Company Information
for the Year Ended 31 March 2023

| | |
|-----------------------------|--|
| Directors: | D Roberts A Satoh T Ikeda K Azuma A Shield |
| SECRETARY: | A Shield |
| REGISTERED OFFICE: | Monkton Business Park North Hebburn Newcastle NE31 2JZ |
| REGISTERED NUMBER: | 01082975 (England and Wales) |
| INDEPENDENT AUDITOR: | Ernst & Young LLP Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JD |
| BANKERS: | The Royal Bank of Scotland 1 Trinity Gardens 2nd Floor Broadchare Quayside Newcastle Upon Tyne NE1 2HF |
| SOLICITORS: | Addleshaw Goddard Sovereign House PO Box 8 Sovereign Street Leeds LS1 1HQ |

Hitachi Construction Machinery (UK)
Limited

Strategic Report
for the Year Ended 31 March 2023

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

Review of business and future developments

Supply challenges for parts and services continued into the first quarter of the trading period which restricted turnover levels for products and services. The situation improved quarter two, although continued upward pressure on material costs, coupled with rising inflation and interest rates dampened market sentiment towards the end of the trading period. Despite which, the company realised record levels of turnover where revenue increased in the year by 14.0% to £295,913,000 (2022: 259,642,000), profit before tax increased by 26.0% to £9,441,000 (2022: 7,490,000).

Increased global material costs and the UK's 'cost of living crisis' continued to add further pressure on purchase prices which we passed onto the market. In addition, the UK labour market became very turbulent during the trading period which hampered recruitment of new employees.

The Company continued to see increased demand for aftersales which recorded record levels of turnover and whilst sales of used equipment improved toward the end of the trading period, it did not compensate for the constrained supply of used machines in the first half of the year.

The Company's continued success is underpinned by investing in human capital and facilities to enable it to provide high quality, reliable machines, with excellent lifetime support to customers. The Company is continually committed to provide an open, transparent, and ethically responsible culture across the organisation, investing in the skills, health, safety and wellbeing of our employees to allow them to develop and thrive.

Our culture and values allow the business to retain and develop relationships with suppliers and its existing loyal customers, as well as grow the business through acquisition of new customers. Current and future product development will be centred around the Company's Hitachi Connected Technologies product range to develop new income streams.

Market sentiment was subdued in the months following the trading period, as customers felt the squeeze in the cost of borrowing for capital purchases. The sharp jump in interest rates implemented by the Bank of England had a shock effect on the UK housing market and subsequently, new housing projects have significantly slowed down. In addition, delays in major infrastructure projects affect both new and used equipment market demand.

The company will continue to adapt to the changes in demand, and maintain a strong focus on customers and its value chain strategies until we see market demand recover.

Key Performance Indicators (KPIs)

The directors consider that the company has an effective measurement and reporting framework, which is consistent with its size and complexity. The Company's key financial and other performance indicators during the year were as follows.

| | 2023 | 2022 | % Change |
|--------------------------|---------|---------|----------|
| Turnover (£000) | 295,913 | 259,642 | 14.0% |
| Operating profit (£000) | 9,347 | 7,525 | 24.2% |
| Profit before tax (£000) | 9,441 | 7,490 | 26.0% |

Management Objectives

The management objectives continue to develop customer focussed solutions, whilst increasing customer satisfaction, through the effective delivery of technology solutions and improved services to customers. Improved employee satisfaction, product quality and control of direct and indirect costs remain at the forefront of the company's principles.

Currency Risk

The Company's activities are conducted predominantly in sterling, where only a small proportion of the Company's purchases are made in foreign currencies. To mitigate currency risk, the Company enters into forward exchange contracts. At the end of the trading period the company's financial instruments comprise of forward exchange contracts denominated in foreign currencies, together with cash, debtors and creditors.

Cash Flow Risk

The company invests surplus cash in a floating rate interest yielding bank deposit account and has access to a floating rate interest bearing overdraft facility.

**Hitachi Construction Machinery (UK)
Limited**

**Strategic Report (Continued)
for the Year Ended 31 March 2023**

Credit Risk

The company has external debtors, however the company manages credit risk by actively managing customer credit facilities by undertaking appraisals of customers in order to ensure that credit is extended to customers who are credit worthy, and unlikely to default.

Liquidity Risk

The company aims to mitigate liquidity risk by managing cash generated by its operations.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'D Roberts', is written over a horizontal dotted line.

D Roberts - Director
19.Dec.2023

**Hitachi Construction Machinery (UK)
Limited**

**Report of the Directors
for the Year Ended 31 March 2023**

The directors present their report with the financial statements of the company for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

The Company's principal activity during the year was the supply of new and used excavators & wheel loaders, and the provision of aftersales support.

DIVIDENDS

The profit for the year, after taxation, was £7,519,000 (2022: £5,893,000). A final dividend payment of £4,868,000 was made in respect of the previous trading year. The directors propose a final dividend of £5,932,000 in respect of this financial trading year (2022: 4,868,000).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2022 to the date of this report.

D Roberts

A Satoh

T Ikeda

K Azuma

K Aoyama - resigned 01 April 2022

A Shield - appointed 18 April 2023

GOING CONCERN

The directors have adopted the going concern basis in preparing these financial statements after assessing the principal risks and having considered changing market conditions, inflationary pressures, global supply chains and the tightening of customs controls in relation to Brexit, for the next accounting period and up to 31 March 2025.

The continued conflict in Ukraine is expected to have minimal impact on future business activities, as the Company previously repositioned supply chains. During the current financial year, market sentiment remained strong, although sales volumes were hindered by supply chain pressures. Despite which the Company held a significant number of customer orders at the end of the trading period.

The board continues to update cashflow and financial scenarios and have considered a number of impacts on financial performance including sales, profits and cash-flows for the period up to 31 March 2025. The forecast also includes conservative judgements in consideration of reasonably plausible downside scenarios in the supply of products, where there is continuing uncertainty

The Directors have taken into consideration that since the balance sheet date the continuing conflict between Russia and Ukraine has caused market uncertainty and whilst the conflict has caused some disruption to supply chains, the impact of which is not believed to be material on business activity. The Company has taken steps to mitigate purchase price pressures which have been further exaggerated by the conflict.

The Company continues to manage pressures on liquidity through existing cash balances and facilities available to it from its parent company, as well as flexibility over the settlement of intercompany trading balances, for which written parental support has been obtained. The directors are satisfied that its parent companies are able to extend this support.

The Directors believe that the Company has adequate resources to meet their liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Further details regarding the adoption of the going concern basis can be found in Note 2 to the Financial Statements.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made no political contributions during the year (2022: £nil).

Donations to UK charities amounted to £51,197 (2022: £34,244).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements (incorporating the Strategic Report and the Report of the Directors) 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 United Kingdom Generally Accepted Accounting

Report of the Directors (Continued)
for the Year Ended 31 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

Practice (United Kingdom Accounting Standards 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 or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable comparable and understandable information state whether applicable 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 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.

Section 172(1) Statement

The following Section 172 statement which is required by the Companies Act 2006 describes how the Directors have had regard to the matters set out in section 172 (1a to 1f) and forms the director's views of the Company's stakeholders in their decision making. The Board will continue to provide increased focus on stakeholder interests in the current Financial Year and beyond.

Employees

The health, safety and the wellbeing of our employees, stakeholders and the environment in which we operate remain at the forefront of our business operations. We are committed to consulting employees or their representatives on a regular basis so that the views of employees can be considered when making decisions which are likely to affect their interests.

We continue to monitor the diversity of applicants and our entire workforce and aim to promote a diverse, engaging and enjoyable workplace for all employees, and give full and fair consideration to all applications giving regard to their particular aptitudes and abilities, and to continue wherever possible the employment of staff who become disabled and to provide opportunities for training and career development of disabled employees.

We continue to invest in the skills, development, and diversity of our employees as a first-class employer. During the trading period the Company further enhanced the provision of learning and development resources, both in relation to health and safety skills and job performance. Through its Health and Wellbeing Committee, the Company regularly discusses topics which impact wellbeing; which saw the introduction of additional annual leave days, pension contributions and volunteering days being introduced during the trading period.

We endeavour to enhance employee engagement, which through the annual employee engagement surveys, annual appraisals and feedback programs, employees are solicited for their views and ideas to improve Company and department performance. Existing and new employees are able to communicate with senior executives through quarterly update meetings, as well as through the employee forum which is made up of representatives from across the business.

Customers and Suppliers

Customers and suppliers continue to form a fundamental part of our success. Our customer base is formed of both Hitachi Construction Machinery group and third-party customers from construction related industries. Our suppliers include those involved in providing engineered goods and services, and those involved in providing operational and establishment support services. We endeavour to trade with the highest quality supply partners and continue to reinforce due diligence of the supply chain, with the aim of delivering improved quality and performance of our products and services to our customers.

We strive to deliver exceptional customer service. All employees contribute to the delivery of outstanding customer experience, endeavouring to exceed customer expectations in providing safe, high quality, durable and reliable products competitively, with excellent lifetime value and consistent service during their term of ownership. During the trading period

**Hitachi Construction Machinery (UK)
Limited**

**Report of the Directors (Continued)
for the Year Ended 31 March 2023**

Customers and Suppliers (Continued)

we introduced additional resources to promote quality assurance across all business segments, including additional quality inspectors and quality technicians, as well as the introduction of our quality reporting tool.

The Company continues to expand aftersales support for routine maintenance and repairs, as well as to challenge ourselves through continuous improvement. During the financial year we continued to increase resources in both sales and product support to achieve our group strategy of Customer Interest First. This included the establishment of our Hitachi Connected Technology centre based near Newcastle, which is dedicated to providing customers with Connected Technology solutions to enhance machine operating performance and improve management of machines through digital fleet management.

Investors

The Company is privately owned with all shares being held internally within the Hitachi Construction Machinery Group. Strategic decisions and operational matters related to the company are made by the board which includes representatives of the Hitachi Construction Machinery Group.

Energy and Carbon Reporting

The company is committed to reducing its carbon footprint (GHG emissions), and as part of the Hitachi Construction Machinery Group we are working towards achieving the environmental targets set by the Group.

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

We have used the latest Defra emissions factors, and our gross emissions total in the table applies the 'location based' accounting methodology for grid emissions. We have also shown the net benefit of our renewable energy procurement via our suppliers, applying the 'market-based' accounting methodology, which is included in our net emissions total.

We have chosen the intensity measure gross scope 1 and 2 emissions in tCO₂e per square meter as our activity is predominantly office based.

| Energy Consumption | 2023 | 2022 | Units |
|---------------------------|-------------|-------------|--------------|
| Total Electricity | 867,801 | 806,642 | kWh |
| Total Gas | 1,454,185 | 1,530,608 | kWh |
| Total Fuel | 3,609,404 | 3,328,638 | kWh |

| Emissions | Emissions | |
|--|------------------|---|
| Scope 1 | | |
| Emissions from combustion of gas | 265,447 | 280,346 kgCO ₂ e |
| Emissions from combustion of fuel for transport purposes - company owned | 933,011 | 831,244 kgCO ₂ e |
| Scope 2/3 | | |
| Emissions from purchased electricity (location based) | 167,984 | 172,087 kgCO ₂ e |
| Scope 3 | | |
| Total gross CO₂e based on above | 1,366,442 | 1,283,677 kgCO₂e |
| intensity ratio tCO ₂ e gross/m ² | 0.4 | 0.4 tCO ₂ e gross/m ² |

The company continues to implement energy efficiency measures including the installation of Solar Pannels at our main production facility, where possible to install LED lighting in all business locations, promoting technologies to limit the number of vehicle journeys and driving standards as well as the promotion of electric vehicles across our non-commercial vehicle fleet.

The company will continue to identify means to improve energy efficiency by monitoring our impact on the environment and the areas in which we work, appointment of energy champions across the business as well as review the installation of solar power at our production and head office facility. The company will continue to effectively manage our energy usage through our Energy Management Committee, adherence to ESOS reporting criteria ISO 14001 and ISO 50001 accreditations, and transition from FORS Bronze to FORS Silver accreditation.

Hitachi Construction Machinery (UK)
Limited

Report of the Directors (Continued)
for the Year Ended 31 March 2023

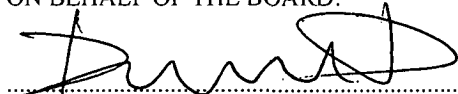
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITOR

The auditor, Ernst & Young LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'D Roberts', written over a horizontal dotted line.

D Roberts - Director
19.Dec.2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HITACHI CONSTRUCTION MACHINERY CONSTRUCTION (UK) LIMITED

Opinion

We have audited the financial statements of Hitachi Construction Machinery (UK) Limited for the year ended 31 March 2023 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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 from when the financial statements are authorised for issue up to 31 March 2025.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HITACHI CONSTRUCTION MACHINERY CONSTRUCTION (UK) LIMITED (continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the statutory reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. The Company also has to comply with laws and regulations relating to its operations, general data protection regulations ('GDPR'), the UK Bribery Act, anti-money laundering legislation, Health and Safety Act and employment regulations.
- We understood how Hitachi Construction Machinery (UK) Limited is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies in these areas. These enquiries confirmed that the Company has a process for monitoring legal requirements; has training policies designed to determine that all employees are properly trained and understand the code of conduct relating to compliance with laws and regulations; and has a process for reporting matters of non-compliance and taking appropriate action.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue to be a fraud risk.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HITACHI CONSTRUCTION MACHINERY CONSTRUCTION (UK) LIMITED (continued)

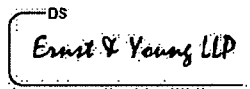
Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (Continued)

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Applying our data techniques we identified the manual journal population deemed most susceptible to fraud (based upon our fraud risk criteria) and substantiated these transactions back to supporting documentation. In addition, we tested a sample of revenue transactions back to source documentation including corroborating appropriate authorisation of such transactions.

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.



Richard Lingwood (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle Upon Tyne
19 December 2023

Hitachi Construction Machinery (UK)
Limited

Income Statement
for the Year Ended 31 March 2023

| | Notes | 2023 £000 | 2022 £000 |
|---|-------|--------------|--------------|
| TURNOVER | 3 | 295,913 | 259,642 |
| Cost of Sales | | 272,124 | 240,357 |
| GROSS PROFIT | | 23,789 | 19,285 |
| Distribution Costs | | 2,914 | 2,742 |
| Administrative Expenses | | 11,528 | 9,026 |
| Other operating income | | - | (8) |
| | | 14,442 | 11,760 |
| OPERATING PROFIT | | 9,347 | 7,525 |
| Interest receivable from group undertakings | | 155 | 16 |
| Interest paid | | (61) | (51) |
| PROFIT BEFORE TAXATION | 5 | 9,441 | 7,490 |
| Tax on profit | 6 | 1,922 | 1,597 |
| PROFIT FOR THE FINANCIAL YEAR | | 7,519 | 5,893 |

All of the above activities are continuing.

There is no comprehensive income other than the profit attributable to the shareholders' of the Company of £7,519,000 in the year ended 31 March 2023 (2022: £5,893,000).


The notes form part of these financial statements

Hitachi Construction Machinery (UK)
Limited

Balance Sheet
31 March 2023

| | Notes | 2023 £000 | 2022 £000 |
|--|-------|----------------------|----------------------|
| FIXED ASSETS | | | |
| Tangible assets | 8 | 13,527 | 11,902 |
| CURRENT ASSETS | | | |
| Stocks | 9 | 70,022 | 32,454 |
| Debtors: amounts falling due within one year | 10 | 48,831 | 31,660 |
| Cash at bank and in hand | | 6,194 | 7,119 |
| | | <u>125,047</u> | <u>71,233</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 11 | 112,933 | 60,998 |
| NET CURRENT ASSETS | | <u>12,114</u> | <u>10,235</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>25,641</u> | <u>22,137</u> |
| CREDITORS | | | |
| Amounts falling due after more than one year | 12 | 2,439 | 2,002 |
| PROVISIONS FOR LIABILITIES | 13 | 912 | 496 |
| NET ASSETS | | <u><u>22,290</u></u> | <u><u>19,639</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | 1,350 | 1,350 |
| Retained earnings | 15 | 20,940 | 18,289 |
| SHAREHOLDERS' FUNDS | | <u><u>22,290</u></u> | <u><u>19,639</u></u> |

The financial statements were approved by the Board of Directors on 19 December 2023 and were signed on its behalf by:


D Roberts - Director

The notes form part of these financial statements

**Hitachi Construction Machinery (UK)
Limited**

**Statement of Changes in Equity
for the Year Ended 31 March 2023**

| | Called up Share capital £000 | Total earnings £000 | Retained equity £000 |
|---------------------------------|---------------------------------------|---------------------------|----------------------------|
| Balance at 1 April 2022 | 1,350 | 13,338 | 14,688 |
| Changes in equity | | | |
| Profit for the year | - | 5,893 | 5,893 |
| Transactions with owners | | | |
| Dividends | - | (942) | (942) |
| Balance at 31 March 2022 | <u>1,350</u> | <u>18,289</u> | <u>19,639</u> |
| Changes in equity | | | |
| Profit for the year | - | 7,519 | 7,519 |
| Transactions with owners | | | |
| Dividends | - | (4,868) | (4,868) |
| Balance at 31 March 2023 | <u>1,350</u> | <u>20,940</u> | <u>22,290</u> |

**Notes to the Financial Statements
for the Year Ended 31 March 2023**

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of Hitachi Construction Machinery (UK) Limited for the Year Ended 31 March 2023 were authorised for issue by the board of directors on 19 December 2023 and the balance sheet was signed on the board's behalf by D.Roberts. The company is a private company and is incorporated and domiciled in the UK. The address of its registered office is Monkton Business Park North, Hebburn, Tyne and Wear, NE31 2JZ. The financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The company's financial statements are presented in British sterling and all values are rounded to the nearest pounds (£000) except where otherwise indicated. The results of Hitachi Construction Machinery (UK) Limited are included in the consolidated financial statements of Hitachi Construction Machinery Japan, which are available from <https://www.hitachicm.com/global/investor-relations>. The principal accounting policies adopted by the company are set out in note 2.

2. ACCOUNTING POLICIES

Going concern

The directors have adopted the going concern basis in preparing these financial statements after assessing the principal risks and having considered changing market conditions, inflationary pressures, global supply chains and the tightening of customs controls in relation to Brexit, for the next accounting period and up to 31 March 2025.

The continued conflict in Ukraine is expected to have minimal impact on future business activities, as the Company previously repositioned supply chains.

During the current financial year, market sentiment remained strong, although sales volumes were hindered by supply chain pressures. Despite which the Company held a significant number of customer orders at the end of the trading period.

The board continues to update cashflow and financial scenarios and have considered a number of impacts on financial performance including sales, profits and cash-flows for the period up to 31 March 2025. The forecast also includes conservative judgements in consideration of reasonably plausible downside scenarios in the supply of products, where there is continuing uncertainty

The Directors have taken into consideration that since the balance sheet date the continuing conflict between Russia and Ukraine has caused market uncertainty and whilst the conflict has caused some disruption to supply chains, the impact of which is not believed to be material on business activity. The Company has taken steps to mitigate purchase price pressures which have been further exaggerated by the conflict.

The Company continues to manage pressures on liquidity through existing cash balances and facilities available to it from its parent company, as well as flexibility over the settlement of intercompany trading balances, for which written parental support has been obtained. The directors are satisfied that its parent companies are able to extend this support.

The Directors believe that the Company has adequate resources to meet their liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below.

The company has prepared its financial statements in accordance with FRS 101 for all periods presented.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

Notes to the Financial Statements - continued
for the Year Ended 31 March 2023

Basis of preparation (Continued)

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1; and
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

New and amended IFRS standards that are effective for the current year

New Standards and amendments to Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 April 2022 are listed below. The amendments had no material impact on the Company's results.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards resulting from Annual Improvements to IFRS Standards 2018–2020 (subsidiary as a first-time adopter) (mandatory for the year commencing on or after 1 April 2022).
- Amendments to IFRS 3 Business Combinations updating a reference to the Conceptual Framework (mandatory for the year commencing on or after 1 April 2022).
- Amendments to IFRS 9 Financial Instruments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities) (mandatory for the year commencing on or after 1 April 2022).
- Amendments to IAS 16 Property, Plant and Equipment prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (mandatory for the year commencing on or after 1 April 2022).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding the costs to include when assessing whether a contract is onerous (mandatory for the year commencing on or after 1 April 2022).

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | | |
|-----------------------|---|-----------------------|
| Freehold property | - | 1.5% per annum |
| Short leasehold | - | over the lease term |
| Plant and machinery | - | 10% to 20% per annum |
| Fixtures and fittings | - | 10% to 20% per annum |
| Motor vehicles | - | 25% on cost per annum |
| Computer equipment | - | 20% per annum |

The carrying value of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Useful economic lives and residual values are reviewed annually and where adjustments are required, these are made prospectively.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2023

2. ACCOUNTING POLICIES - continued

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, or where the customer has paid for the goods but requested that the company hold the goods on their behalf for a short period of time. Where revenue relates to the sale of warranty products, revenue is recognised over the life of the warranty. The company regularly assesses recovery rates from group companies, to determine if provisions are required to meet future obligations.

Service and repairs

The Company offers its own service plan product, which consists of multiple components. For individual servicing works, revenue is recognised on completion of the service. Where service works relate to a prepaid service plan, revenue is recognised on a straight line basis over the service plan period.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is arrived at as follows:

| | |
|---|--|
| Raw materials and nearly finished goods | - purchase cost on a first in first out basis |
| Work in progress and finished goods | - cost of direct materials and labour plus attributable overheads based on a normal level of activity less foreseeable losses. |

Net realisable value is based on estimated selling price less any further costs to be incurred to completion and disposal.

IFRS 9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial assets include trade receivables and cash and cash equivalents. The company does not have any guarantees or external debt / loans. At the end of the trading period the Company held derivative financial instruments which are explained in Note:18.

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Trade and other debtors

Trade debtors, which generally have 30-90 day terms, are recognised and carried at their original invoiced amount less expected credit losses. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss based on historic average of impairments multiplied by the balance of trade debtors. Balances are written off when the probability of recovery is assessed as being remote.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2023

2. ACCOUNTING POLICIES - continued

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Derivatives

The company sometimes uses forward currency contracts as hedges of its exposure to foreign currency risk. The fair value of these contracts is included on the balance sheet as a Financial asset or a Financial liability.

Leases

At inception of a contract, the Company assesses whether the contract is or contains a lease. The Company determines whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

As a lessee

At the lease commencement date, the Company recognises a right-of-use asset, which represents the Company's right to use an underlying asset, and a lease liability, which represents the Company's obligation to make lease payments

This applies to all leases except for those deemed to be of low value or short term in nature where such leases are recognised as an expense on a straight-line basis over the lease term.

The right-of-use asset is measured at the amount equivalent to the initial measurement of the lease liability plus any initial direct costs incurred and adjusted for any prepaid or accrued lease payments. The right-of-use asset is depreciated straight-line over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at the present value of the lease payments that are not paid on commencement date discounted using the Company's weighted average incremental borrowing rate which was 1.63% during the period.

As a lessor

At the inception date of a lease the Company uses judgement in determining whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee. Where this is deemed to be the case the Company recognises a finance lease receivable equivalent to the net investment in the lease, being the present value of the future lease receipts discounted at the weighted average incremental borrowing rate. Otherwise lease receipts are recognised straight-line over the lease term.

Pensions

The company operates a defined contribution pension scheme. The company contributes to a private pension scheme for directors. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

Government grants

Grants, including those in respect of the UK CJRS scheme, are recognised only where there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. Grants that are received as compensation for expenses already incurred are recognised in profit or loss in the period in which they become receivable and are presented separately within other operating income.

Critical accounting estimates and judgements

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2023**

2. ACCOUNTING POLICIES - continued

(a) Useful economic lives of tangible fixed assets.

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 8 for the carrying amount of the property, plant and equipment.

(b) Stock provisioning

The company distributes construction equipment, which is subject to changing demands. As a result, it is necessary to consider the recoverability of the cost of stock and the associated provisioning required.

When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 9 for the net carrying amount of the stock and associated provision.

(c) Warranty provisioning

Revenue generated from the sale of external warranties are deferred and recognised over the remaining life of the warranty. The Company regularly assesses the carrying value of warranty provisions to ensure that it is able to meet future obligations. The cost of servicing and repair of equipment covered under the manufacturers warranty is recharged to group companies. The company annually assesses if provisions are to be made in relation to such warranties.

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company. An analysis of turnover by geographical market is given below:

| | 2023 £000 | 2022 £000 |
|----------------|----------------|----------------|
| United Kingdom | 294,440 | 256,684 |
| Europe | 1,380 | 2,038 |
| Other | 93 | 920 |
| | <u>295,913</u> | <u>259,642</u> |

4. EMPLOYEES AND DIRECTORS

| | 2023 £000 | 2022 £000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 13,696 | 11,128 |
| Social security costs | 1,565 | 1,193 |
| Other pension costs | 916 | 742 |
| | <u>16,177</u> | <u>13,063</u> |

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

| | 2023 No. | 2022 No. |
|-----------------------|-------------|-------------|
| Office and management | 167 | 148 |
| Assembly | 94 | 84 |
| | <u>261</u> | <u>232</u> |

**Hitachi Construction Machinery (UK)
Limited**

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2023**

4. EMPLOYEES AND DIRECTORS - continued

Directors emoluments of £465,292 (2022: £439,247) relates to two directors for their services to Hitachi Construction Machinery (UK) Limited. In addition, payments of £30,461 (2022: £28,000) were made into a company pension scheme. The emoluments of the highest paid director (including pension payments) was £343,949 (2022: £322,000). All other directors are remunerated by Hitachi Construction Machinery Europe (NV) and the directors believe that any emoluments received for services to this company are negligible.

5. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging/(crediting):

| | 2023 £000 | 2022 £000 |
|---|--------------|--------------|
| Cost of inventories recognised as expense | 266,011 | 235,664 |
| Hire of plant and machinery | 6 | 1 |
| Depreciation - owned assets | 1,523 | 1,168 |
| Depreciation - ROU | 978 | 669 |
| Profit on disposal of fixed assets | (152) | (14) |
| Auditors' remuneration | 81 | 77 |
| Rental charges - land and buildings | 16 | 42 |
| Exchange loss / (gain) | 189 | (368) |
| Government grants – furlough support | - | (8) |

6. TAXATION

Analysis of tax expense

| | 2023 £000 | 2022 £000 |
|---------------------------------------|--------------|--------------|
| Current tax on profits for the year | 1,507 | 1,398 |
| Adjustment in respect of prior year | - | 31 |
| Current Tax | 1,507 | 1,429 |
| Current year | 242 | 58 |
| Adjustment in respect of prior year | 147 | (9) |
| Effect of changes in tax rates | 26 | 119 |
| Deferred Tax | 415 | 168 |
| Total tax expense in income statement | 1,922 | 1,597 |

Factors affecting the tax expense

The tax assessed for the year is different to the standard rate of corporation tax in the UK. The difference is explained below:

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2023**

6. TAXATION - continued

| | 2023 £000 | 2022 £000 |
|--|--------------|--------------|
| Profit before income tax | 9,441 | 7,490 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2022 - 19%) | 1,793 | 1,423 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 48 | 31 |
| Deferred tax previously unrecognised | - | 121 |
| Tax rate changes | 26 | - |
| Additional relief for capital expenditure | (92) | - |
| Adjustments to tax charge in respect of previous periods | 147 | 22 |
| Tax expense | 1,922 | 1,597 |

Factors affecting future tax charges

Finance Bill 2022 was published and substantively enacted in 2022. The Bill enshrines in law an increase in the UK corporation tax rate from 19% to 25% effective from 1 April 2023. As the Bill was substantively enacted before the balance sheet date, the Company has re-measured its deferred tax liabilities to reflect the change in rates.

7. DIVIDENDS

| | 2023 £000 | 2022 £000 |
|---|--------------|--------------|
| Ordinary Shares of £1 each | | |
| Final dividend paid in respect of previous trading year | 4,868 | 942 |
| Dividend per share | £3.61 | £0.70 |

8. TANGIBLE FIXED ASSETS

| | Right-of- use assets £000 | Freehold property £000 | Short leasehold £000 | Plant and Machinery £000 |
|------------------------|---------------------------------|------------------------------|----------------------------|--------------------------------|
| COST | | | | |
| At 1 April 2022 | 4,525 | 3,947 | 791 | 3,894 |
| Additions | 1,595 | 59 | 299 | 2,041 |
| Disposals | (322) | - | - | (2,642) |
| At 31 March 2023 | 5,798 | 4,006 | 1,090 | 3,293 |
| DEPRECIATION | | | | |
| At 1 April 2022 | 1,774 | 796 | 276 | 799 |
| Charge for year | 978 | 59 | 112 | 313 |
| Eliminated on disposal | (322) | - | - | (117) |
| At 31 March 2023 | 2,430 | 855 | 388 | 995 |
| NET BOOK VALUE | | | | |
| At 31 March 2023 | 3,368 | 3,151 | 702 | 2,298 |
| At 31 March 2022 | 2,751 | 3,151 | 515 | 3,095 |

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2023**

8. TANGIBLE FIXED ASSETS - continued

| | Fixtures and fittings £000 | Motor vehicles £000 | Computer equipment £000 | Totals £000 |
|------------------------|----------------------------------|---------------------------|-------------------------------|----------------|
| COST | | | | |
| At 1 April 2022 | 597 | 3,033 | 1,497 | 18,284 |
| Additions | 141 | 1,402 | 1,167 | 6,704 |
| Disposals | - | (416) | - | (3,380) |
| At 31 March 2023 | 738 | 4,019 | 2,664 | 21,608 |
| DEPRECIATION | | | | |
| At 1 April 2022 | 157 | 1,531 | 1,049 | 6,382 |
| Charge for year | 57 | 814 | 168 | 2,501 |
| Eliminated on disposal | - | (363) | - | (802) |
| At 31 March 2023 | 214 | 1,982 | 1,217 | 8,081 |
| NET BOOK VALUE | | | | |
| At 31 March 2023 | 524 | 2,037 | 1,447 | 13,527 |
| At 31 March 2022 | 440 | 1,502 | 448 | 11,902 |

Included in the above are assets held for rental to customers with a net book value of £1,270,000 (2022: £2,722,000) with accumulated depreciation charged of £279,000 (2022: £169,000). In addition, rentals amounting to £65,000 (2022: £193,000) were credited to the income statement.

9. STOCKS

| | 2023 £000 | 2022 £000 |
|------------------|--------------|--------------|
| Work-in-progress | 2,619 | 2,119 |
| Finished goods | 67,403 | 30,335 |
| | 70,022 | 32,454 |

Stocks are stated after provisions for impairment of £1,235,979 (2022: £973,239).

10. DEBTORS

| | 2023 £000 | 2022 £000 |
|---|--------------|--------------|
| Trade Debtors | 19,436 | 13,307 |
| Amounts owed by group undertakings | 26,604 | 15,254 |
| Corporation tax recoverable | 62 | 55 |
| Fair value of forward contracts (note 18) | - | 116 |
| Debtors relating to Lease Assets | 2,203 | 2,290 |
| Other debtors | 148 | 19 |
| Prepayments and accruals | 378 | 619 |
| | 48,831 | 31,660 |

Trade debtors is stated after a provision for doubtful debts of £72,000 (2022: £58,000).

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2023**

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2023 £000 | 2022 £000 |
|---|----------------|---------------|
| Trade creditors | 14,407 | 10,317 |
| Amounts owed to group undertakings | 91,025 | 46,047 |
| Social security and other taxes | 3,306 | 1,588 |
| Other creditors | 2,038 | 1,169 |
| Accruals and deferred income | 1,278 | 1,145 |
| Fair value of forward contracts (note 18) | 2 | - |
| Lease liabilities: Current (note 12) | 877 | 732 |
| | <u>112,933</u> | <u>60,998</u> |

Trade creditors are non-interest bearing and are normally settled on 30-day terms.

12. CREDITORS; AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Leases – Company as lessee

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

| | Land and Buildings £000 | Plant and Machinery £000 | Motor Vehicles £000 | Total £000 |
|----------------------|-------------------------------|--------------------------------|---------------------------|---------------|
| As at 01 April 2022 | 2,515 | 29 | 207 | 2,751 |
| Additions | 1,163 | 78 | 354 | 1,595 |
| Disposals | 4 | (1) | (3) | 0 |
| Depreciation expense | <u>(756)</u> | <u>(38)</u> | <u>(184)</u> | <u>(978)</u> |
| As at 31 March 2023 | <u>2,926</u> | <u>68</u> | <u>374</u> | <u>3,368</u> |

Set out below are the carrying amounts of lease liabilities and the movements during the period:

| | 2023 £000 | 2022 £000 |
|---------------------------|----------------|--------------|
| As at 01 April 2022 | 2,734 | 2,241 |
| Additions | 1,590 | 1,174 |
| Accreditation of interest | 61 | 46 |
| Payments | <u>(1,069)</u> | <u>(727)</u> |
| As at 31 March 2023 | <u>3,316</u> | <u>2,734</u> |
| Current | <u>877</u> | <u>732</u> |
| Non-current | <u>2,439</u> | <u>2,002</u> |

The company has lease contracts for various offices, warehouses, equipment and tools used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

| | 2023 £000 | 2022 £000 |
|---|--------------|--------------|
| Depreciation expense of ROU assets | 978 | 669 |
| Interest expense on lease liabilities | 61 | 46 |
| Expense relating to short term leases | - | 34 |
| Variable lease payments (included in cost of sales) | <u>4</u> | <u>29</u> |
| Year ended 31 March 2023 | <u>1,043</u> | <u>778</u> |

The total cash outflow for leases during 2023 was £1,068,000 (2022: £727,000).

Notes to the Financial Statements - continued
for the Year Ended 31 March 2023

13. DEFERRED TAX LIABILITIES

| | 2023 £000 | 2022 £000 |
|--|--------------|--------------|
| Provision at start of period | 496 | 328 |
| Deferred tax charge to income statement for the period | 416 | 168 |
| Provision at end of period | 912 | 496 |
| Fixed Assets | 426 | 45 |
| Gains | 465 | 465 |
| Other | 21 | (14) |
| Provision at end of period - liability | 912 | 496 |
| Unrecognised Deferred Tax – Fixed | - | - |

14. CALLED UP SHARE CAPITAL

| Allotted, issued, and fully paid: Number: Class: | | Nominal value: | 2023 £000 | 2022 £000 |
|---|-----------------|-------------------|--------------|--------------|
| 1,350,000 | Ordinary Shares | £1 | 1,350 | 1,350 |

15. RESERVES

Share capital

This reserve represents the capital investment by the parent undertaking.

Retained earnings

This reserve represents the cumulative comprehensive income recognised in the company, less any dividends paid.

16. PENSION COMMITMENTS

The company does not operate its own independent pension fund but operates a group personal pension scheme open to all employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £916,310 (2022 - £741,894). Contributions totalling £82,852 (2022: £63,936) were payable to the fund at the year end and are included in creditors.

17. OTHER COMMITMENTS

During the financial year, the Company established a one year rolling borrowing facility with SMBC that is repayable on demand. There are no fixed repayment terms and interest is in consideration of market rate. The balance owing on this facility at the 31 March 2023 was £Nil.

18. OTHER FINANCIAL COMMITMENTS

The group has derivative financial instruments, being forward foreign exchange contracts as at 31 March 2023 with an estimated value of £1,479,000 (2022: £2,611,000). The fair value of the forward foreign exchange contracts is recorded on the balance sheet (notes 10 and 11).

19. RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary of Hitachi Construction Machinery (Europe) NV and has taken advantage of the exemption conferred by Financial Reporting Standard 101 with reference to IAS24 'Related party disclosures' not to disclose transactions with other wholly owned subsidiaries within the group.

20. ULTIMATE CONTROLLING PARTY

The Company's immediate parent undertaking is Hitachi Construction Machinery (Europe) NV, which is incorporated in the Netherlands. The registered address is Sicilieweg 5, 1045AT, Amsterdam, The Netherlands.

The consolidated financial statements, which is the smallest and largest group to consolidate these financial statements, are prepared by the parent undertaking, Hitachi Construction Machinery Co. Ltd. which can be obtained from Corporate Headquarters, 16-1, Higashiueno 2-chome, Taito-ku, Tokyo, 110-0015 Japan.

In the Director's opinion, the Company's ultimate parent undertaking and controlling party is Hitachi Construction Machinery Co. Ltd, which is incorporated in Japan.