

Mitsubishi Heavy Industries EMEA Ltd

Report and Financial Statements for the year ended

31 March 2024

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COMPANIES HOUSE

Directors

K Kawate

M Kondo (appointed 1 April 2023)

H Matsuda (appointed 1 April 2023)

Secretary

T Sanai

Auditor

KPMG LLP

15 Canada Square

London E14 5GL

Bankers

National Westminster Bank Plc

31 Cheapside

London EC2V 6AN

MUFG Bank Ltd

Ropemaker Place

25 Ropemaker Street

London EC2Y 9AN

Registered Office

Building 11 Chiswick Park,

566 Chiswick High Road

London W4 5YA

Registered No. 2282265

Strategic Report

The board of directors presents its strategic report for the year ended 31 March 2024.

Principal activity and review of the business

The Company's profit from continuing operations for the year ended 31 March 2024 reached £4,698,000 (year ended 31 March 2023 – £4,442,000) driven by increased revenue as referenced below.

The principal activities of the company are to act as Mitsubishi Heavy Industries Ltd (MHI) regional headquarters for the Europe, Middle East and Africa (EMEA) region through the provision of services to the parent and group undertakings and the distribution of corrugating machinery products manufactured by a group undertaking to customers within Europe, Middle East, Africa and South America.

During the year, the company expanded its Decarbonisation department in London and relocated its New Energy business division from Duisburg to Dusseldorf (Germany) to help achieve MHI Group's Energy Transition Strategy towards net-zero targets. The company continued to operate offices in Brussels and Derby along with branches in London, Munich, Erlangen and the Corrugating and Printing Division (CPD) in Almere (the Netherlands). Overall CPD recorded higher sales and profit due to increased machine sales and service related activities during the year.

The digital solution division (DSD) established in Erlangen, Germany continues to function as the EMEA centre for the development of digital solutions such as developing SynX Supervision product and the Global Research and Innovation department (GRI) of Mitsubishi Heavy Industries EMEA Ltd (MHI-EMEA) continues its mission to investigate new markets / technology trends and promote collaboration with European and British universities and research institutes in the fields of advanced manufacturing technologies, composite materials, robotics/automation technologies and energy transition. These activities will continue in 2024.

Company's revenue for the year was £62.3m, an overall increase of £6.7m from the revenue in the year ended 31 March 2023. This increase in revenue is mainly due to increased machine sales and service related activities at CPD.

| Region | Turnover (£m) | |
|--------------------------------|---------------|---------------|
| | 2024 | 2023 |
| AFRICA | £4.8m | £5.7m |
| EU | £23.8m | £25.0m |
| MIDDLE EAST | £3.6m | £6.0m |
| ASIA | £20.9m | £17.3m |
| CIS | £0.2m | £0.6m |
| NORTH, SOUTH & CENTRAL AMERICA | <u>£9.0m</u> | <u>£1.0m</u> |
| | <u>£62.3m</u> | <u>£55.6m</u> |

Section 172(1) Statement

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so consider the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172'). This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company.

MHI-EMEA is part of the MHI Group, MHI is a key supplier and customer as well as being the only shareholder. In May 2015 MHI Group formalised the MHI Global Code of Conduct. As a global company, MHI employs thousands of individuals from different backgrounds, nationalities and cultures.

Strategic Report (continued)

Section 172(1) Statement (continued)

This diversity of talent and perspectives is one of the greatest assets. At the same time, however, MHI as a company must operate with a single corporate culture that enables it to compete successfully in the global market while maintaining our reputation as a company of high integrity and ethics.

The Code of Conduct is available on MHI's website and details the values of the group, its key policies on the environment, health and safety and the compliance with laws to ensure fair competition and anti corruption practices, the code also describes how MHI employees should conduct themselves and MHI-EMEA follows this.

Apart from MHI the company considers employees and customers to be key stakeholders. Employees are kept informed on the company's performance and plans through regular meetings and presentations with senior management, the company actively supports personal development and offers support to staff who wish to gain additional knowledge / skills as it recognises the benefits this will bring to the company. The company also continues to support remote working and recognises the safety of staff and customers is paramount. The company recognises its customers supply products to companies providing essential services so takes steps through resource and stock planning to try and ensure these companies suffer minimal disruption, the company also supports the group by passing back customer suggestions and design requirements for new products.

Principal risks and uncertainties

The company has identified the principal risks that it faces as:

Political risk

The company operates predominantly in the European market which is currently considered as relatively stable.

In addition, the CIS region is currently undergoing political change as well as challenges arising from Russia-Ukraine war and associated sanctions. Until the situation is resolved it is expected to be difficult to undertake business with customers in this region, management and operating divisions will continue to monitor the situation.

Credit risk

The company's principal financial assets are cash and cash equivalents and trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the company's management on a regular basis in conjunction with debt ageing and collection history.

The amounts presented in the statement of financial position are net of allowance for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. A cost of £30,600 was recognised in the income statement in respect of doubtful debts during the year to 31 March 2024 (year ended 31 March 2023 –£17,800 cost).

The company has a number of key customers who account for a significant proportion of revenue. To maintain these relationships, the company and its management strives to work in partnership with key customers to deliver the products required whilst through the use of bank guarantees, letters of credit and payments in advance, attempting to minimise the risk of being unable to recover a debt.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the interest rate charged on the borrowing from / lending to (note 21) MHI International Investment London Branch (MII London Branch) cash pool.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Liquidity

The company's business activities, together with factors likely to affect its future development, performance and position are disclosed in this strategic report. The financial position of the company is presented in the statement of financial position.

The company's management oversee the operations of the company and its funding requirements. The activities of the company in the year to 31 March 2024 were funded from available cash resources. The receivables and payables and the nature thereof are disclosed in notes 17, 19, 20, 21 and 22,

The company has considerable financial resources and relationships with a number of customers across different geographic areas. In addition to this, the major suppliers to the company are MHI or MHI related party undertakings. Therefore management do not consider that there is any particular liquidity risk facing the company.

Foreign currency risk

In addition to Sterling which is the main functional currency of the company, products are mainly sold in two other currencies (Euro and Japanese Yen). The company minimises the foreign currency risk in three ways:

- Through the operation of overseas branches/divisions who transact almost exclusively in their local foreign currency and maintain bank accounts and financial statements in these foreign currencies reducing exposure to exchange rate fluctuations.
- By ensuring its major supplier (MHI) invoices for goods or services supplied in the currency to be invoiced to the customer. Where this is not the local currency of the country that the branch or division is located in the company maintains individual bank accounts relating to each currency thereby reducing its exposure to exchange rate fluctuations.
- The company does not realise any of these gains or losses as the foreign currency is not sold for sterling, the UK operations of MHI-EMEA generate and hold sufficient sterling balances to meet operational and trading requirements and as such management do not believe there will be a need to convert foreign currency into sterling.

IFRS 7 defines currency risk as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate.

The table below shows the company's sensitivity to non-Sterling exchange rates on its non-Sterling financial instruments (mainly Cash Pooling receivables and Trade and Related party payables/receivables).

A 10% strengthening of Sterling against the following currencies would have decreased pre-tax profit (decreased 2023 profit) by the amounts shown below. This analysis assumes that all other variables remain constant. In this table financial instruments are only considered sensitive for exchange rates where they are not in the functional currency of the entity that holds them.

Strategic Report (continued)

Principal risks and uncertainties (continued)

| | 2024 | 2023 |
|--------------|---|---|
| | <i>Increase / (Decrease) in profit £000</i> | <i>Increase / (Decrease) in profit £000</i> |
| Euro | 32 | 86 |
| US Dollar | (4) | (10) |
| Japanese Yen | (121) | (91) |

A 10% weakening of Sterling against these currencies would have the equal and opposite effect to that shown above on the basis that other variables remain constant.

Capital risk management

The company considers the equity (share capital and reserves – note 24) to be the capital of the business. At 31 March 2024 this was £89,553,000 (31 March 2023 – £85,229,000). The increase is mainly due to profit for the year to 31 March 2024.

Historically strategic decisions such as acquisitions or the setting up of a new office/division are taken by the parent undertaking, in conjunction with local management and MHI has provided the capital to fund such acquisitions by increasing its investment in the company and as such management believe the company's capital is effectively managed by the parent undertaking.

Operational management

The company must maintain core operational activities and are continuously developing regular risk assessments by visiting branches and subsidiaries on a regular basis and instilling an awareness of accountability and risk management.

The objective is to ensure sufficient working capital within the company and monitor the management of credit and operational risks at a business unit level on an ongoing basis.

The directors regularly review the company's financial statements along with forecasts for the current year and against available longer term plans and as a consequence believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Legislative risks

The company is subject to continuous changes in the UK and European standards and any new Directive may have an impact on the ability of the company to distribute and supply products at a profit.

Modern Slavery Act – Transparency requirements

The company adheres to a Global Code of Conduct issued by its ultimate parent MHI. The directors can influence the long term financial performance through awareness of the social aspects of the business and by maintaining good standards of corporate governance. The company routinely monitors the performance, values and risks of its business partners to ensure that no slavery and forced labour takes place within its supply chain.

Strategic Report (continued)

Russia-Ukraine conflict:

Following Russia's invasion of Ukraine in February 2022, Management continues to work with customers in the Ukrainian region and finalising the last project in Russia, while adhering to sanctions and restrictions introduced by US, UK and EU and do not expect this situation to change in the near future. Whilst sales in the CIS region were reduced the company experienced revenue growth in South America and a stable revenue in other regions to offset this, Management do not foresee the ongoing conflict having a significant impact on the company.

By order of the Board



Takehiro Sanai
Company Secretary
Date: 26 November 2024

Registered No. 2282265

Directors' report

The directors present their report and the company financial statements for the year ended 31 March 2024.

Results and dividends

The results for the year show a profit after taxation, attributable to members of the parent undertaking of £4,698,000 (year ended 31 March 2023– profit of £4,442,000) as set out in the Company income statement. The directors do not recommend payment of a dividend (year ended 31 March 2023 – £nil).

Future developments

The Directors believe that the company is well positioned to grow the business during 2024 based on the continuing demand for its products and services. CPD service sales will grow in Europe, Africa, Middle East, and South America where there is demand for its products and services with existing and new customers. During 2024, despite challenges due to the merger of several global large customers within the corrugated packaging market CPD business is expected to continue selling machines as well as parts and services to customers.

Company's offices within EMEA region will support groups' energy transition strategy by promoting business development utilising its expertise in hydrogen value chain and broader decarbonisation technologies. To facilitate these future developments in energy transition, Mitsubishi Heavy Industries Ltd (MHI) has established "GX(Green Transformation) Solutions" as a new business segment from 1 April 2024, integrating energy transition related divisions and functions to make use of synergies to accelerate decarbonisation efforts and to further strengthen the energy transition business that MHI Group is pursuing as a growth strategy.

The directors believe that there is room for growth in the European market by covering territories without any current representation or distributors channels. Furthermore, the company is keen to support its customers in growing the Mitsubishi Heavy Industries brand by active and innovative marketing strategy.

Business Relationships

The company follows the MHI Global Code Of Conduct and acts ethically and with integrity and continues to maintain relationships with long term suppliers and customers.

Streamlined Energy & Carbon Reporting (SECR) Considerations

The Company follows the 2019 UK Government environmental reporting guidance including SECR guidance for this report. Greenhouse gas emissions calculations are gathered from the utility bills for the UK office which the company subleases from a MHI group company, neither company directly receives utility bills, the landlord estimates usage for each tenant based on occupancy for the whole building, the company usage figures are estimates based on allocation of landlord invoiced cost by floor space occupied. From January 2024 as a result of the expansion of the decarbonisation department, the company occupied an additional 26% floor space . The Company utilises the appropriate years' DEFRA average emissions conversion factors to calculate Greenhouse Gases emissions for Company Reporting.

Operational boundary

The Company has used the financial control approach and measures and monitors environmental data from the UK registered office which is the only premise under our control.

Methodology

The emissions and energy data noted below has been collated, calculated and presented using the methodology set out in WRI / WBSCD The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), March 2004, including separate guidance on Scope 2 emissions.

Directors' Report (continued)

Streamlined Energy & Carbon Reporting (SECR) Considerations (continued)

Operational Scopes

| UK GHG Emission Data for the period 1 April to 31 March 2024 | | |
|---|-----------------------------|---------|
| | Tonnes of CO ₂ e | |
| | 2024 | 2023 |
| Energy Consumption to Calculate emissions | | |
| Gas combustion Kilowatt Hours (kWh) | 30,102 | 31,825 |
| Purchased electricity kWh | 216,040 | 195,649 |
| Total energy consumption kWh | 246,142 | 227,474 |
| Emissions | | |
| Gas combustion kg CO ₂ equivalent (scope 1) | 6,101 | 5,809 |
| Purchased electricity kg CO ₂ equivalent (scope 2) | 44,736 | 37,835 |
| Total gross emissions kg CO ₂ equivalent | 50,837 | 43,644 |
| Intensity ratio | | |
| kg CO ₂ equivalent per square foot | 7.52 | 7.17 |

Energy efficiency actions taken

Energy saving technology is fitted at the company office to minimise energy consumption, including motion sensors, which ensure office lighting is only on when the office is in use, minimising any waste. The company also has a policy that staff should turn off any equipment (Printers, Desktop PC's) that is not required to be accessed remotely each evening.

Going concern

The company's business activities and the factors likely to affect its future development, performance and position together with the principal risks it faces are set out in the Strategic Report on pages 2 to 6.

The company has considerable financial resources and relationships with a number of customers across different geographic areas. In addition to this the major suppliers of the company are MHI, the ultimate parent undertaking or MHI group companies.

The directors regularly review the company's management financial statements along with forecasts for 12 months from the date of approval of these financial statements and against available longer term plans and as a consequence believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors' Report (continued)

Directors

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

K Hosomi (resigned on 1 April 2023)

Y Yamaoki (resigned on 1 April 2023)

K Kawate

M Kondo (appointed 1 April 2023)

H Matsuda (appointed 1 April 2023)

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to appoint KPMG LLP as the auditor for year ending 31 March 2025 was approved by the members at the Annual General Meeting.

By order of the Board



Takehiro Sanai

Company Secretary

26 November 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITSUBISHI HEAVY INDUSTRIES EMEA LIMITED

Opinion

We have audited the financial statements of Mitsubishi Heavy Industries EMEA Ltd ("the Company") for the year ended 31 March 2024 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and related notes, including the accounting policies in note 4.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any usual or unexpected relationships.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITSUBISHI HEAVY INDUSTRIES EMEA LTD (continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet revenue targets, we performed procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue from sale of goods is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying machine sales that had not been installed at the period end. For each sale we obtained and inspected delivery documentation, or confirmation of delivery from the customer, and reviewed contractual terms to verify that transfer of control of the machine had passed to the customer in the period, and therefore that revenue was recognised appropriately.
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to revenue for which the corresponding entry was posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

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.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITSUBISHI HEAVY INDUSTRIES EMEA LTD (continued)

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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. We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITSUBISHI
HEAVY INDUSTRIES EMEA LTD (continued)**

The purpose of our audit work and to whom we owe our responsibilities

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.



Ross Martin (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

26 November 2024

Income statement

For the year ended 31 March 2024

| | | 2024 | 2023 |
|--|--------------|-----------------|-----------------|
| | <i>Notes</i> | £000 | £000 |
| Revenue | 5 | 62,324 | 55,611 |
| Cost of sales | | <u>(53,150)</u> | <u>(47,203)</u> |
| Gross profit | | 9,174 | 8,408 |
| Administrative expenses | | <u>(4,499)</u> | <u>(4,469)</u> |
| Trading profit | | 4,675 | 3,939 |
| Other operating income | 6 | <u>299</u> | <u>226</u> |
| Operating profit from continuing operations | 7 | 4,974 | 4,165 |
| Finance income | 10 | 1,597 | 1,661 |
| Finance costs | 11 | <u>(46)</u> | <u>(38)</u> |
| Profit from continuing operations before taxation | | 6,525 | 5,788 |
| Taxation charge | 12 | <u>(1,827)</u> | <u>(1,346)</u> |
| Profit for the year from continuing operations | | <u>4,698</u> | <u>4,442</u> |

Statement of comprehensive income

for the year ended 31 March 2024

| | 2024 | 2023 |
|--|--------------|--------------|
| | £000 | £000 |
| Profit for the year | 4,698 | 4,442 |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods | | |
| Exchange difference on retranslation of foreign operations | <u>(374)</u> | <u>364</u> |
| Total comprehensive income for the year | <u>4,324</u> | <u>4,806</u> |

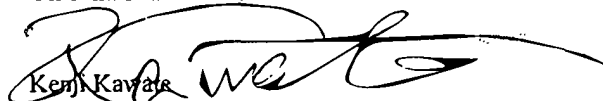
The accompanying notes form part of these financial statements

Statement of financial position

For the year ended 31 March 2024

| | Notes | 2024 £000 | 2023 £000 |
|--------------------------------|-------|-----------------|-----------------|
| Non-current assets | | | |
| Property, plant and equipment | 13 | 3,071 | 2,949 |
| Intangible assets | 14 | 15 | 20 |
| Financial assets | 15 | 161 | 130 |
| Investments | 16 | 55,006 | 12 |
| Deferred tax asset | 12(c) | 235 | 313 |
| | | <u>58,488</u> | <u>3,424</u> |
| Current assets | | | |
| Trade and other receivables | 17 | 41,998 | 104,157 |
| Inventories | 18 | 9,163 | 12,072 |
| Cash and short-term deposits | | 530 | 225 |
| | | <u>51,691</u> | <u>116,454</u> |
| Total assets | | <u>110,179</u> | <u>119,878</u> |
| Current liabilities | | | |
| Trade and other payables | 19 | (8,950) | (12,621) |
| Loans & Borrowings | 20 | (774) | (661) |
| Deferred revenue | 22 | (6,505) | (13,810) |
| Income tax payable | | (330) | (254) |
| Provisions | 23 | (932) | (951) |
| | | <u>(17,491)</u> | <u>(28,297)</u> |
| Non-current liabilities | | | |
| Deferred revenue | 22 | (1,008) | (3,576) |
| Loans & Borrowings | 20 | (1,363) | (1,625) |
| Provisions | 23 | (764) | (1,151) |
| | | <u>(3,135)</u> | <u>(6,352)</u> |
| Total liabilities | | <u>(20,626)</u> | <u>(34,649)</u> |
| Net assets | | <u>89,553</u> | <u>85,229</u> |
| Capital and reserves | | | |
| Equity share capital | 24 | 4,645 | 4,645 |
| Merger reserve | 25 | (1,611) | (1,611) |
| Foreign Currency translation | 25 | 70 | 444 |
| Retained earnings | | 86,449 | 81,751 |
| Total equity | | <u>89,553</u> | <u>85,229</u> |

On behalf of the Board


Kenji Kayata

Chief Operating Officer
26 November 2024

The accompanying notes form part of these financial statements

Statement of changes in equity

For the year ended 31 March 2024

Attributable to the equity holders of the parent

| | <i>Equity share capital</i> | <i>Merger reserve</i> | <i>Foreign Currency translation</i> | <i>Retained earnings</i> | <i>Total equity</i> |
|----------------------------|---------------------------------|---------------------------|---|------------------------------|---------------------|
| | £000 | £000 | £000 | £000 | £000 |
| At 1 April 2022 | 4,645 | (1,611) | 80 | 77,309 | 80,423 |
| Other comprehensive income | - | - | 364 | - | 364 |
| Profit for the year | - | - | - | 4,442 | 4,442 |
| At 1 April 2023 | 4,645 | (1,611) | 444 | 81,751 | 85,229 |
| Other comprehensive income | - | - | (374) | - | (374) |
| Profit for the year | - | - | - | 4,698 | 4,698 |
| At 31 March 2024 | 4,645 | (1,611) | 70 | 86,449 | 89,553 |

The accompanying notes form part of these financial statements

Notes to the financial statements

At 31 March 2024

1. General information

The financial statements of Mitsubishi Heavy Industries EMEA Ltd (MHI-EMEA) for the year ended 31 March 2024 were authorised for issue by the board of directors on 26 November 2024 and the statement of financial position was signed on the board's behalf by the Chief Operating Officer. MHI-EMEA is a subsidiary undertaking of Mitsubishi Heavy Industries Ltd (MHI), the ultimate parent undertaking which is incorporated in Japan. MHI's registered address is Marunouchi-Nijubashi Bldg, 2-3 Marunouchi 3-Chome Chiyoda-ku, Tokyo 100-8332, Japan. MHI-EMEA's financial statements are consolidated into MHI's. The MHI consolidated financial statements are published on the group's website www.mhi.com

MHI-EMEA is a private company incorporated and domiciled in England and Wales. The address of the company's registered office is Building 11 Chiswick Park, 566 Chiswick High Road, London W4 5YA. The principal activity of the company is the provision of services to the parent undertaking and the distribution of corrugating machinery products manufactured by a group undertaking to customers within Europe, Middle East, Africa and South America.

2. Basis of preparation

The company financial statements are prepared on the historical cost basis. The company financial statements are presented in Sterling which is the functional currency of the company.

Going concern

The company meets its day-to-day working capital requirements through its cash reserves and borrowings from group cash pooling which is available on demand. The current economic conditions create some uncertainty, particularly over the level of demand for the company's products. The company's available forecasts and projections for 12 months from the date of approval of these financial statements, taking account of reasonably possible changes in trading performance, show that the company will be comfortably able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Consolidation

The company is exempt, by virtue of section 401 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. These financial statements are separate financial statements.

Statement of compliance

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

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Cash Flow Statement and related notes
- Certain disclosures regarding revenue required by IFRS 15
- The effects of new but not yet effective IFRSs
- Disclosures in respect of capital management

As the consolidated financial statements of MHI include equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures required by:

- IFRS 7, 'Financial instruments: Disclosures'.

Notes to the financial statements

At 31 March 2024

3. Significant accounting estimates, assumptions and judgements

On 2 May 2023 MHI-EMEA acquired 15,035 shares (9.5% of Issued share capital) in Primetals Technologies Holdings Ltd a wholly owned subsidiary undertaking of Mitsubishi Heavy Industries Ltd (MHI) for 9,141,280,000 Yen (£55,005,696). IAS 28 contains a rebuttable presumption that if an entity holds 20% or more of the voting power of the investee (whether directly or indirectly), the entity has significant influence over the investee. Conversely, if an entity holds less than 20% of the voting power of the investee (whether directly or indirectly), it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. To clearly demonstrate significant influence is ultimately a judgement, MHI-EMEA management is of the opinion that two of the indicators/factors in Paragraph 6 of IAS 28 which lists the ways that significant influence is usually evidenced are met namely, Representation on the board of directors (Paragraph 6(a) of IAS 28) and Participation in policy-making processes, including participation in decisions about dividends or other distributions (Paragraph 6(b) of IAS 28). The company has therefore chosen to account for this shareholding as an investment in associate company held at cost due to the significant influence it exercises

Apart from the investment judgement mentioned above, the Company does not have any key assumptions or judgements concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates.

4. Accounting policies

The accounting policies which follow set out the significant policies which apply in preparing the financial statements for the year ended 31 March 2024.

Property, plant and equipment

Property, plant and equipment are stated in the Statement of financial position at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised on a straight-line basis over its useful life, as follows:

| | | |
|------------------------------|---|----------------------|
| Leasehold land and buildings | – | Remaining lease term |
| Computer equipment | – | 3 to 5 years |

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Intangible assets

Separately identifiable intangible assets acquired are capitalised at cost and those acquired from a business acquisition are capitalised at fair value as at the date of acquisition. The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment at each reporting date or whenever there is an indication that the intangible asset may be impaired.

Notes to the financial statements

At 31 March 2024

4. Accounting policies (continued)

Intangible assets (continued)

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation period for the principal categories of intangible assets is calculated as follows:

| | |
|----------|---------------|
| Software | – 3-5 years |
| Licences | – 10-20 years |

Intangible assets are tested for impairment when a trigger event occurs. Useful lives are also examined on an annual basis and adjustments, where applicable are made on a prospective basis.

Revenue recognition

The company provides services to its parent company and group subsidiaries as well as the distribution of corrugating machinery products manufactured by a group undertaking to customers within Europe, Middle East, Africa, CIS and South America and the sale of associated spare parts and after sales support services.

Provision of services to parent undertaking (Marketing support & corporate services) is covered by service agreement in which the revenue is determined based on the actual cost incurred plus an applicable mark-up charged to each group entity.

Machine sales involve a contract to deliver and install the corrugating and converting machine to customer site. Inco terms within the contract determine when the sale of the machine, which typically accounts for 95% of the contract price, is recognised. The income for supervising the installation is recognised when complete in line with the terms of the contract. The contracts are negotiated as a package with a single commercial objective. Company recognises the revenue/margin based on the cost of machinery using the estimated margin earned in historical transactions. In addition, CPD also sell spare parts and provide field service work to the customers outside of warranty period based on a separate PO outside of the main machine sale contract.

Government grants and contributions

Government grants and contributions received in respect of an item of expense during the period are recognised in the income statement on a systematic basis in line with the cost that it is intended to compensate.

Foreign currency translation

Items included in the financial statements of the company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the financial information, the results and financial position of the company are expressed in pounds sterling, which is the functional currency of the company, and the presentation currency for the company financial statements.

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement and presented as part of Administrative expenses.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the financial statements

At 31 March 2024

4. Accounting policies (continued)

Foreign currency translation (continued)

Exchange differences from the translation of the assets and liabilities of foreign operations shall be recognised in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the company financial statements, such exchange differences shall be recognised in other comprehensive income.

Investments in Associates

Investments in Associates held by the company are accounted for at cost in the separate financial statements of the company. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable if this is the case the investment is written down to its recoverable amount.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the company financial statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

An entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Current income tax

The company is subject to income taxes in numerous jurisdictions and recognises liabilities for tax issues based on estimates of whether additional taxes will be due, based on its best interpretation of the relevant tax laws. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Inventories

The company uses weighted average cost to determine the cost of inventory. Inventories are valued at the lower of cost and net realisable value (NRV). Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Any write-down to NRV should be recognised as a charge to income for the period. Any reversal of the write-down should be recognised in the income statement in the period in which the reversal occurs.

Warranty provision

The company recognises provision for maintenance warranties claims based on past experience of the level of repairs and returns for the period of the contractual warranty which is normally not longer than 2 years. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty periods for all products sold.

Notes to the financial statements

At 31 March 2024

4. Accounting policies (continued)

Leases

The company leases various offices, warehouses, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Where leases meet the criteria in IFRS 16 they are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Notes to the financial statements

At 31 March 2024

4. Accounting policies (continued)

Financial assets and financial liabilities

Initial recognition

Financial assets and liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. The initial recognition is at fair value. The company's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables.

Trade receivables and other receivables

Trade and intercompany receivables are carried at original invoice amount, including value added tax, less the recognised lifetime expected credit losses. The expected credit losses on the receivables are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of condition at the reporting date. Bad debts are written off in the period they are recognised.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

Finance cost

Borrowing costs are recognised as an expense when incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Employee benefits

Defined contribution pension scheme

The company operates defined contribution schemes for all members of staff. The company pays a fixed contribution into a separate entity which operates the scheme. Other than this contribution the company has no further legal or constructive obligation to make further contributions to the scheme.

Obligations for contributions to the scheme are recognised as an expense in the income statement in the period in which services are rendered by employees.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Notes to the financial statements

At 31 March 2024

5. Revenue

| Analysis of revenue by category | 2024 £000 | 2023 £000 |
|----------------------------------|---------------|---------------|
| Sale of goods | 38,790 | 36,276 |
| Rendering of services | 23,534 | 19,335 |
| | <u>62,324</u> | <u>55,611</u> |
| Analysis of revenue by geography | 2024 £000 | 2023 £000 |
| Europe | 23,814 | 25,011 |
| Asia | 20,919 | 17,334 |
| Middle East | 3,565 | 5,953 |
| Africa | 4,816 | 5,731 |
| CIS | 162 | 613 |
| South & Central America | 9,048 | 969 |
| | <u>62,324</u> | <u>55,611</u> |

6. Other operating income / (expense)

| | 2024 £000 | 2023 £000 |
|-----------------------------|--------------|--------------|
| Government grants (note 26) | 299 | 226 |

7. Company operating profit

This is stated after charging/(crediting):

| | 2024 £000 | 2023 £000 |
|---|--------------|--------------|
| Cost of Inventory | 31,553 | 29,328 |
| (Decrease) / Increase in provision of impairment of trade receivables recognised in administrative expenses (note 17) | 16 | (364) |
| Net foreign currency loss | 139 | 12 |

Notes to the financial statements

At 31 March 2024

8. Auditor's remuneration

| | 2024 £000 | 2023 £000 |
|---|--------------|--------------|
| Audit of the company financial statements | <u>140</u> | <u>131</u> |

9. Staff costs

| | 2024 £000 | 2023 £000 |
|--|---------------|---------------|
| Wages and salaries | 12,318 | 10,335 |
| Social security costs | 1,017 | 811 |
| Other pension costs: defined contribution scheme (note 28) | 394 | 307 |
| | <u>13,729</u> | <u>11,453</u> |

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

| | 2024 No. | 2023 No. |
|---|-------------|-------------|
| Administrative, sales and operating staff | <u>140</u> | <u>123</u> |

10. Finance income

| | 2024 £000 | 2023 £000 |
|--|--------------|--------------|
| Interest from loans to related parties | 1,586 | 1,657 |
| Other interest income | 11 | 4 |
| Total finance income | <u>1,597</u> | <u>1,661</u> |

11. Finance costs

| | 2024 £000 | 2023 £000 |
|------------------------|--------------|--------------|
| Other interest expense | <u>46</u> | <u>38</u> |

Notes to the financial statements

At 31 March 2024

12. Tax

(a) Tax on profit on ordinary activities:

| | 2024 | 2023 |
|---|--------------|--------------|
| | £000 | £000 |
| Current income tax: | | |
| UK corporation tax | 1,714 | 1,140 |
| Foreign tax | 962 | 664 |
| Double taxation relief | (925) | (523) |
| Adjustments in respect of previous years | (6) | 10 |
| Total current income tax charge / (credit) | <u>1,745</u> | <u>1,291</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 38 | 38 |
| Adjustment in respect of prior years | 44 | 17 |
| Total deferred tax | <u>82</u> | <u>55</u> |
| Tax charge in the income statement | <u>1,827</u> | <u>1,346</u> |

(b) Reconciliation of the total tax charge / (credit)

The tax charge in the income statement for the year is higher than the standard rate of corporation tax in the UK of 25% (year ended 31 March 2023 – 19%). The differences are reconciled below:

| | 2024 | 2023 |
|---|--------------|--------------|
| | £000 | £000 |
| Profit from continuing activities before taxation | 6,525 | 5,788 |
| Accounting profit multiplied by UK standard rate of corporation tax of 25% (year ended 31 March 2023 – 19%) | 1,631 | 1,100 |
| Expenses not deductible for tax purposes | 196 | 112 |
| Adjustments to corporation tax in respect of previous years – UK | (37) | (3) |
| – Overseas | 31 | 13 |
| Effect of different overseas tax rates | 37 | 141 |
| Non-taxable claims (R&D expenditure credit) | (75) | (43) |
| Adjustment in respect of prior year deferred tax | 44 | 17 |
| Impact of tax rate change on deferred tax | = | 9 |
| Total tax charge reported in the income statement | <u>1,827</u> | <u>1,346</u> |

Notes to the financial statements

At 31 March 2024

12. Tax (continued)

(c) Deferred tax

The deferred tax included in the company statement of financial position relates to the following:

| | 2024 £000 | 2023 £000 |
|--|--------------|--------------|
| Decelerated capital allowances | 235 | 313 |
| Other timing differences | - | - |
| | <u>235</u> | <u>313</u> |
| Disclosed on the statement of financial position | | |
| Deferred tax asset | 235 | 313 |
| Deferred tax liability | - | - |
| | <u>235</u> | <u>313</u> |

The deferred tax included in the company income statement relates to the following:

| | 2024 £000 | 2023 £000 |
|---|--------------|--------------|
| Deferred tax in the income statement | | |
| Capital allowance | 78 | 60 |
| Other timing differences – general provisions | - | - |
| | <u>78</u> | <u>60</u> |

(d) Factors that may affect future tax charges

The UK's main corporation tax rate increased to 25%, effective from 1 April 2023. Deferred tax balances have been recognised at the rate of 25%.

Notes to the financial statements

At 31 March 2024

13. Property, plant and equipment

| | <i>Leasehold Land and buildings</i> | <i>Plant and equipment</i> | <i>Total</i> |
|-----------------------------------|---|--------------------------------|--------------|
| | £000 | £000 | £000 |
| Cost: | | | |
| At 1 April 2022 | 3,876 | 2,048 | 5,924 |
| Foreign currency adjustment | 81 | 45 | 126 |
| Additions | 203 | 359 | 562 |
| Disposals | (1) | (230) | (231) |
| At 31 March 2023 and 1 April 2023 | 4,159 | 2,222 | 6,381 |
| Foreign currency adjustment | (75) | (45) | (120) |
| Additions | 757 | 465 | 1,222 |
| Disposals | - | (168) | (168) |
| At 31 March 2024 | 4,841 | 2,474 | 7,315 |
| Depreciation: | | | |
| At 1 April 2022 | (1,470) | (1,265) | (2,735) |
| Foreign currency adjustment | (25) | (19) | (44) |
| Provided during the year | (566) | (297) | (863) |
| Disposals | - | 210 | 210 |
| At 31 March 2023 and 1 April 2023 | (2,061) | (1,371) | (3,432) |
| Foreign currency adjustment | 29 | 23 | 52 |
| Provided during the year | (699) | (324) | (1,023) |
| Disposals | - | 159 | 159 |
| At 31 March 2024 | (2,731) | (1,513) | (4,244) |
| Net book value: | | | |
| At 31 March 2024 | 2,110 | 961 | 3,071 |
| At 31 March 2023 | 2,098 | 851 | 2,949 |

At 31 March 2024 property, plant and equipment includes right of use assets as follows:

| | <i>Leasehold Land and buildings</i> | <i>Plant and equipment</i> | <i>Total</i> |
|-----------------------------|---|--------------------------------|--------------|
| | £000 | £000 | £000 |
| At 1 April 2023 | 2,083 | 199 | 2,282 |
| Foreign currency adjustment | (46) | (6) | (52) |
| Additions | 620 | 90 | 710 |
| Disposals | - | (56) | (56) |
| Depreciation on disposals | - | 48 | 48 |
| Depreciation | (682) | (109) | (791) |
| At 31 March 2024 | 1,975 | 166 | 2,141 |

Notes to the financial statements

At 31 March 2024

14. Intangible assets

| | <i>Software</i> £000 | <i>Licence</i> £000 | <i>Total</i> £000 |
|-----------------------------------|-------------------------|------------------------|----------------------|
| Cost: | | | |
| At 1 April 2022 | 291 | 397 | 688 |
| Foreign currency adjustment | 2 | 14 | 16 |
| Additions | - | - | - |
| Disposals | (122) | - | (122) |
| At 31 March 2023 and 1 April 2023 | 171 | 411 | 582 |
| Foreign currency adjustment | (1) | (12) | (13) |
| Additions | 3 | - | 3 |
| Disposals | (6) | - | (6) |
| At 31 March 2024 | 167 | 399 | 566 |
| Amortisation: | | | |
| At 1 April 2022 | (287) | (371) | (658) |
| Foreign currency adjustment | (2) | (13) | (15) |
| Provided during the year | (4) | (7) | (11) |
| Disposals | 122 | - | 122 |
| At 31 March 2023 and 1 April 2023 | (171) | (391) | (562) |
| Foreign currency adjustment | 2 | 11 | 13 |
| Provided during the year | (2) | (6) | (8) |
| Disposals | 6 | - | 6 |
| At 31 March 2024 | (165) | (386) | (551) |
| Net book value: | | | |
| At 31 March 2024 | 2 | 13 | 15 |
| At 31 March 2023 | 0 | 20 | 20 |

15. Financial assets

| | 2024 £000 | 2023 £000 |
|---|--------------|--------------|
| <i>Financial assets – non-current</i> | | |
| Other Debtors | | |
| Security deposits – Rented office | 20 | 20 |
| Security deposits – Employee rented accommodation | 134 | 100 |
| Employee Loans | 7 | 10 |
| | <u>161</u> | <u>130</u> |

Notes to the financial statements

At 31 March 2024

16. Investments

| | 2024 | 2023 |
|---|---------------|-----------|
| | £000 | £000 |
| Other investments | | |
| Mitsubishi Heavy Industries Technologies S.A.E. | 1 | 1 |
| Primetals Technologies Holdings (note 3) | 55,005 | |
| Hamburg Green Hydrogen GmbH & Co. KG | - | 6 |
| Hamburg Green Hydrogen Beteiligungsgesellschaft mbH | - | 5 |
| | <u>55,006</u> | <u>12</u> |

On 2 May 2023 MHI-EMEA acquired 15,035 shares (9.5% of Issued share capital) in Primetals Technologies Holdings Ltd a wholly owned subsidiary undertaking of Mitsubishi Heavy Industries Ltd (MHI) for 9,141,280,000 Yen (£55,005,696). MHI-EMEA also owns 10 shares (0.1% of Issued share capital) in Mitsubishi Heavy Industries Technologies S.A.E. MHI-EMEA does not control either of these companies. The 6,200 shares (24.8% of Issued share capital) in each of Hamburg Green Hydrogen GmbH & Co. KG and Hamburg Green Hydrogen Beteiligungsgesellschaft mbH were sold in September 2023 at the cost paid for them.

17. Trade and other receivables

| | 2024 | 2023 |
|---|---------------|----------------|
| | £000 | £000 |
| Trade receivables | 3,689 | 5,613 |
| Amounts owed by related parties | 4,117 | 2,971 |
| Loans to group undertakings (note 27) | 32,548 | 93,136 |
| Interest receivable on group undertakings loans | 120 | 277 |
| Prepayments | 590 | 744 |
| Accrued income | 542 | 316 |
| Other debtors | 392 | 1,100 |
| | <u>41,998</u> | <u>104,157</u> |

Trade receivables are denominated in the following currencies:

| | 2024 | 2023 |
|----------|--------------|--------------|
| | £000 | £000 |
| Sterling | 1 | 1 |
| Euro | 3,685 | 5,612 |
| Dollar | 3 | - |
| | <u>3,689</u> | <u>5,613</u> |

Notes to the financial statements

At 31 March 2024

17. Trade and other receivables (continued)

As at 31 March 2024, trade receivables at nominal value of £34,000 (2023 – £19,000) were impaired and fully provided for.

Movements in the provision for impairment of receivables were as follows:

| | 2024 £000 | 2023 £000 |
|---------------------------------|--------------|--------------|
| At 1 April | 19 | 67 |
| Charge for the year | 31 | 18 |
| Write back 2009 bad debt | - | (315) |
| Distribution from Administrator | - | 315 |
| Unused amounts reversed | (15) | (67) |
| Exchange rate movement | (1) | 1 |
| At 31 March | <u>34</u> | <u>19</u> |

As at 31 March, the ageing analysis of trade receivables is as follows:

| | <i>Neither past due nor impaired</i> | | <i>Past due but not impaired</i> | | | |
|------|--|----------------|----------------------------------|-------------------------|-------------------------|------------------------|
| | <i>Total</i> | <i>Current</i> | <i><30 days</i> | <i>30 – 60 days</i> | <i>61 – 90 days</i> | <i>>90 days</i> |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| 2024 | 3,689 | 2,507 | 423 | 410 | 187 | 162 |
| 2023 | 5,613 | 2,956 | 382 | 231 | 432 | 1,612 |

18. Inventories

| | 2024 £000 | 2023 £000 |
|-------------------------------------|--------------|---------------|
| Supplies and parts | 1,792 | 4,939 |
| Finished goods and goods for resale | 7,371 | 7,133 |
| | <u>9,163</u> | <u>12,072</u> |

Notes to the financial statements

At 31 March 2024

18. Inventories (continued)

As at 31 March 2024, inventories at nominal value of £1,261,000 were impaired and fully provided for. Movements in the provision for impairment of inventories were as follows:

| | 2024 £000 | 2023 £000 |
|------------------------|--------------|--------------|
| At 1 April | 1,088 | 1,367 |
| Charges in the year | 208 | 137 |
| Utilised | - | (451) |
| Exchange rate movement | (35) | 35 |
| At 31 March | <u>1,261</u> | <u>1,088</u> |

19. Trade and other payables

| | 2024 £000 | 2023 £000 |
|---|--------------|---------------|
| Amounts owed to ultimate parent undertaking | 414 | 146 |
| Amounts owed to fellow group companies | 3,600 | 3,900 |
| Trade payables | 2,414 | 5,761 |
| Other taxes and social security costs | 526 | 869 |
| Other creditors | 60 | 31 |
| Accruals | 1,936 | 1,914 |
| | <u>8,950</u> | <u>12,621</u> |

20. Leases

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

(a) Amounts recognised in statement of financial position

| | 31 Mar 2024 £000 | 31 Mar 2023 £000 |
|------------------------------|------------------------|------------------------|
| Right-of-use assets | | |
| Leasehold Land and buildings | 1,975 | 2,083 |
| Plant and equipment | 166 | 199 |
| | <u>2,141</u> | <u>2,282</u> |

Notes to the financial statements

At 31 March 2024

20. Leases (continued)

Lease liabilities

| | | |
|-------------|--------------|--------------|
| Current | 774 | 661 |
| Non-current | 1,363 | 1,625 |
| | <u>2,137</u> | <u>2,286</u> |

Additions to right of use assets during the 2024 financial year were £710,101 (2023: £270,927).

(b) Amounts recognised in the income statement

| | 2024 | 2023 |
|------------------|------------|------------|
| | £000 | £000 |
| Depreciation | 791 | 656 |
| Interest expense | 43 | 37 |
| | <u>834</u> | <u>693</u> |

Notes to the financial statements

At 31 March 2024

21. Related party transactions

Entities with control over the company

Mitsubishi Heavy Industries Ltd. owns 100% of the ordinary shares of Mitsubishi Heavy Industries EMEA Ltd.

Terms and conditions of transactions with related parties

Sales and purchases between related parties are made at arm's length. Current and Prior Year transactions are with MHI group companies, the outstanding balances are unsecured, interest free and have no specified credit period. The company has not provided or benefited from any guarantees for any related party receivables or payables.

Cash pooling arrangements

The cash pooling arrangements for the EMEA region are managed by MHI International Investments B.V. London branch (MII London branch) which is owned 100% by Mitsubishi Heavy Industries Ltd.

MII London branch deposits cash surpluses from these arrangements with major banks of high quality credit standing and has in place Loan arrangements with a number of major banks to meet any working capital requirements for the cash pooling participants.

MII London branch lends money to subsidiaries with negative cash balances using currency specific indexes plus between 15 and 85 basis depending on the currency, until October 2023 money was lent at the Bloomberg Composite Rate New York (CMPN) plus 40 basis points. If the rate is negative no interest is charged. Subsidiaries with positive cash balances lend money using currency specific indexes plus between -10 and 30 basis points depending on the currency. Until October 2023 money was lent at CMPN less 10 basis points. If the rate is negative no interest is payable.

At the 31 March 2024 included in the related party balances were the below cash pooling loans.

| | 2024 | 2023 |
|---------------------------------|---------------|---------------|
| | £000 | £000 |
| Loans To Related Parties | | |
| Sterling | 16,006 | 70,711 |
| Euro | 13,091 | 21,104 |
| Yen | 3,011 | 1,094 |
| US Dollar | 155 | 138 |
| Swiss Franc | 165 | 11 |
| Czech Koruna | 49 | - |
| Danish Krone | 71 | 78 |
| | <u>32,548</u> | <u>93,136</u> |

Notes to the financial statements

At 31 March 2024

21. Related party transactions (continued)

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 March with other related parties, are as follows:

| <i>Related party</i> | <i>Sales to related party £000</i> | <i>Purchases from related party £000</i> | <i>Amounts owed by related party £000</i> | <i>Amounts owed to related party £000</i> |
|---|--|--|---|---|
| Entities with control over the company | | | | |
| 2024 | 19,048 | 560 | 3,339 | 414 |
| 2023 | 14,033 | 480 | 1,768 | 146 |
| Other related parties | | | | |
| 2024 | 3,058 | 8,192 | 33,446 | 3,600 |
| 2023 | 4,723 | 8,550 | 94,616 | 3,900 |

Compensation of key management personnel

The transactions with directors are disclosed below:

| | <i>2024 £000</i> | <i>2023 £000</i> |
|------------------------------|----------------------|----------------------|
| Short-term employee benefits | <u>329</u> | <u>446</u> |

At the year ends, all key management personnel are the directors of the company and no directors were participants of defined benefit schemes or contribution schemes. One director is paid directly by the parent company and receives no additional remuneration for role as a director of MHI-EMEA..

The remuneration of the highest paid director was £187,000 (2023 – £302,000).

Notes to the financial statements

At 31 March 2024

22. Deferred revenue

| | 2024 | 2023 |
|--|--------------|---------------|
| | £000 | £000 |
| <i>Advances from customers and sales invoiced in advance</i> | | |
| At 1 April | 17,386 | 10,693 |
| Deferred during the year | 3,152 | 16,277 |
| Released to the income statement | (12,502) | (9,968) |
| Exchange differences | (523) | 384 |
| At 31 March | <u>7,513</u> | <u>17,386</u> |
| | | |
| Total deferred income | <u>7,513</u> | <u>17,386</u> |
| | | |
| Included within current liabilities | <u>6,505</u> | <u>13,810</u> |
| | | |
| Included within non-current liabilities | <u>1,008</u> | <u>3,576</u> |

Notes to the financial statements

At 31 March 2024

23. Provisions

| | <i>Maintenance warranties</i> £000 |
|------------------------------|---|
| At 1 April 2022 | 1,941 |
| Current | 207 |
| Non-current | 1,734 |
| At 1 April 2022 | <u>1,941</u> |
| Arising during the year | 955 |
| Utilised | (414) |
| Reversal of unused amounts | (451) |
| Exchange rate movements | 71 |
| At 31 March and 1 April 2023 | <u>2,102</u> |
| Current | 951 |
| Non-current | 1,151 |
| At 31 March and 1 April 2023 | <u>2,102</u> |
| Arising during the year | 700 |
| Utilised | (254) |
| Reversal of unused amounts | (805) |
| Exchange rate movements | (47) |
| At 31 March 2024 | <u><u>1,696</u></u> |
| Analysed as | |
| Current | 932 |
| Non-current | 764 |
| At 31 March 2024 | <u><u>1,696</u></u> |

Maintenance warranties

Warranty claims are provided for based on past experience of the level of repairs and returns for the period of the contractual warranty which is normally not longer than two years. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty periods for all products sold.

24. Share capital

Authorised

| | <i>2024</i> <i>No.</i> | <i>2023</i> <i>No.</i> |
|--|---------------------------|---------------------------|
| Ordinary shares of £1 each at 31 March and 1 April | <u>72,261,603</u> | <u>72,261,603</u> |

Allotted, called up and fully paid

| | <i>2024</i> <i>No.</i> | <i>2023</i> <i>No.</i> |
|---------------------------------------|---------------------------|---------------------------|
| Ordinary shares of £1 each at 1 April | 4,644,603 | 4,644,603 |
| At 31 March | <u><u>4,644,603</u></u> | <u><u>4,644,603</u></u> |

Notes to the financial statements

At 31 March 2024

25. Equity

Merger reserve

The merger reserve primarily relates to the company reorganisation in which CPD-NL (2008) CPD-UK (2009) and MRJ Europe (2019) joined the company. This reserve is not distributable. Both company reorganisations were accounted for using the pooling of interest method.

Translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign branches.

26. Government grants

| | 2024 | 2023 |
|---|-------|-------|
| | £000 | £000 |
| Receivables at 1 April | 226 | 250 |
| Received during the year | (226) | (250) |
| Released to the income statement (note 6) | 299 | 226 |
| Receivables at 31 March - current | 299 | 226 |

Legislation was enacted to allow companies in the UK to claim R&D Expenditure Credit (RDEC) on qualifying expenditure incurred since 1 April 2013. During the year, company claimed RDEC for an amount of £299,000 (2023 – £226,000), this amount is included within accrued income on the balance sheet and is recognised as other income in the income statement.

27. Loans Receivable

| | 2024 | 2023 |
|--|--------|--------|
| | £000 | £000 |
| <i>Current</i> | | |
| Cash pooling loans to group undertakings | 32,548 | 93,136 |
| Cash pooling loans interest receivable | 120 | 277 |
| Current loans | 32,668 | 93,413 |

28. Pensions

Defined Contribution Pension

The company operates a defined contribution pension scheme with Aviva, the Mitsubishi Heavy Industries EMEA Group Personal Pension Plan for its employees in the United Kingdom. This scheme is approved under Schedule IV Part XIV of the Income and Corporation Taxes Act 1988. Dutch employees are members of a trade union pension and early retirement scheme. The cost to the company as at 31 March 2024 was £394,000 (2023 – £307,000).