

**Company Registration No. 00305275**

**Denso Marston Ltd**

**Annual Report and Financial Statements**

**For the year ended 31 March 2017**

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# **Denso Marston Ltd**

## **Annual Report And Financial Statements For the year ended 31 March 2017**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>3</b>
<b>Directors' responsibilities statement</b>	<b>5</b>
<b>Independent auditor's report</b>	<b>6</b>
<b>Statement of comprehensive income</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Statement of changes in equity</b>	<b>9</b>
<b>Notes to the financial statements</b>	<b>10</b>

# **Denso Marston Ltd**

## **Annual Report And Financial Statements For the year ended 31 March 2017**

### **Officers And Professional Advisers**

#### **Directors**

M Di Rao Marotta  
D Hanson  
M Taguchi

#### **Company Secretary**

J White

#### **Registered office**

Marston House  
Otley Road  
Shipley  
West Yorkshire  
BD17 7JR

#### **Bankers**

Lloyds TSB  
City Office  
PO Box 72  
Bailey Drive  
Gillingham Business Park  
Kent  
ME8 0LS

Citibank  
Citibank Centre  
Canada Square  
Canary Wharf  
London  
E14 5LB

The Bank of Tokyo-Mitsubishi UFJ, Ltd  
London Branch  
Finsbury Circus House  
12-15 Finsbury Circus  
London  
EC2M 7BT

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
Leeds  
United Kingdom

# Denso Marston Ltd

## Strategic report

The directors present their strategic report for the year ended 31 March 2017.

The Company is a wholly owned subsidiary of DENSO Corporation, which is incorporated in Japan, and is a leading global supplier of advanced automotive technologies, systems and components. The immediate parent Company is DENSO International UK Ltd. At the operational and reporting level, the Company is a member of DENSO's Thermal Europe Centre, which is headquartered in Italy and has member businesses and satellites in the United Kingdom, Italy, Czech Republic, Poland, Spain, Portugal, Turkey, Morocco, India, Brazil and Argentina.

### Review of the business and key performance indicators

Turnover for the year showed a decrease from £74.2m to £71.9m (3%), reflecting prevailing market conditions. The Power Generation sector contributed most to this decrease, with modest increases in Agriculture and Construction.

Net assets (see Balance Sheet on page 8) have decreased by £2.4m, primarily due to the dividend paid to the parent company in accordance with Group policy.

Discussion of KPIs of the division is made in the financial statements of DENSO Corporation which are publicly available.

### Future developments

The Company continues to invest strongly in new technology, in research and development activities, and in its employees, and the directors believe that the Company is in excellent financial health.

### Principal risks and uncertainties

*Markets and customers* - The success of any business is contingent upon the success of its customers and the strength of the market sectors in which it operates. The Company's main marketplaces (see note 3 to the financial statements) are the United Kingdom and Europe with 62% of sales (2016: 63%) and the Americas with 30% (2016: 30%). The Company is very proud of its high quality customer base. Furthermore the directors feel that the Company has a good balance of sales and profit between its main three market sectors (agriculture, construction and power generation).

*Competitors* - The Company operates in a highly competitive and ever changing marketplace, and has done so for over 100 years. Competition will always involve risk and uncertainty, but the directors regard this as healthy, and welcome the continuous improvement which must inevitably follow.

*Currency* - The Company has some currency exposure, primarily in purchasing Euros and in selling US Dollars. Foreign Currency exposure risk is managed by the Group's European Central Treasury Function in Amsterdam. Any local deficit/surplus in Euros/US Dollars is purchased/sold for Pounds Sterling through the Central Treasury Function at rates fixed in advance for the duration of the financial year.

*Cash flow (liquidity) risk* - The Company has in place credit facilities provided by the Group's European Central Treasury Function which provides for all the Company's cash requirements. There are no external borrowings and there is more than adequate headroom in the facilities agreed annually with the ultimate parent.

Approved by the Board of Directors  
and signed on behalf of the Board



J White

Company Secretary  
5 September 2017

# **Denso Marston Ltd**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

### **Principal Activity**

The Company's principal activity is the manufacture of radiators, charge air coolers, oil coolers and fuel coolers, for the off-highway (construction and agriculture) and power generation sectors.

### **Dividends and transfers to reserves**

The directors have proposed a final dividend of £4,320,000 being 288p per ordinary share (2016: £6,703,000 being 447p per ordinary share). The retained profit, before dividends, for the financial year of £4,320,000 (2016: £6,703,000) is to be transferred to reserves. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

### **Directors**

The directors who held office during the year and since the year-end were as follows:

M Di Rao Marotta  
D Hanson  
M Taguchi

### **Research and development**

Research and development activity has been concerned with products and process reliability and also the development of new products to increase the Company's competitive position. The cost incurred in the year is disclosed in note 5.

### **Employees**

Details of the number of employees and related costs can be found in note 4 to the financial statements.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues by assessing any adjustments that may be made together with the provision of appropriate training. It is the policy of the Company that the training, career development and promotion of disabled persons should be free from discrimination and the same opportunities be available to all employees.

The Company participates in the Group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

### **Future developments**

Details of future developments can be found in the strategic report on page 2 which forms part of this report by cross reference.

### **Principal risks and uncertainties**

Details of principal risks and uncertainties can be found in the strategic report on page 2 which forms part of this report by cross reference.

### **Going concern**

The Directors believe that Denso Marston Ltd will have sufficient cash and borrowing facilities for at least the next 12 months. The directors believe that, having considered uncertainties and reviewed cash flow forecasts for this period which allow for appropriate downside sensitivities, Denso Marston Ltd has adequate debt facilities in place with the Group to cover its requirements. They believe the Company is a going concern based on the existence of future business and continued financial support being made available from Denso Group.

### **Approval of reduced disclosures**

The Company, as a qualifying entity, has taken advantage, in respect of its separate financial statements, of the disclosure exemptions in FRS102 paragraph 1.12. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

# **Denso Marston Ltd**

## **Directors' report (continued)**

The Company also intends to take advantage of these exemptions in the financial statements issued in the following year. Objections may be served on the Company by shareholders holding in aggregate 5 per cent or more of the total allocated shares in the Company. They should be served no later than 31 March 2018.

### **Disclosure of relevant information to auditor**

In the case of each of the persons who are directors of the Company at the date of approval of this report:

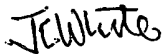
- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### **Auditor**

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



J White

Company Secretary  
5 September 2017

## **Directors' responsibilities statement**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

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

## **Independent Auditor's Report To The Members Of Denso Marston Ltd (continued)**

We have audited the financial statements of Denso Marston Ltd for the year ended 31 March 2017 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

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 any material misstatements in the Strategic Report and the Directors' Report.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where 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.



Matthew Hughes ACA BSc (Hons) (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Leeds, United Kingdom  
5 September 2017



# Denso Marston Ltd

## Statement of comprehensive income For the year ended 31 March 2017

		2017 £'000	2016 £'000
	Note		
Turnover	3	71,893	74,152
Cost of sales		(61,847)	(61,555)
Gross profit		10,046	12,597
Distribution costs		(436)	(510)
Administrative expenses		(5,214)	(5,269)
Operating profit	5	4,396	6,818
Interest payable and similar charges	6	(9)	(15)
Profit on ordinary activities before taxation		4,387	6,803
Tax on profit on ordinary activities	7	(67)	(100)
Profit for the financial year transferred to reserves		4,320	6,703

There were no other comprehensive income or expenses during the current or prior years besides the profit for the financial year.

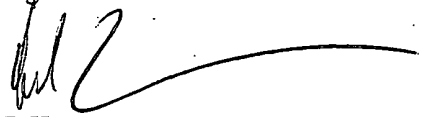
# Denso Marston Ltd

## Balance sheet As at 31 March 2017

		2017 £'000	2016 £'000
	Note		
<b>Fixed assets</b>			
Tangible assets	8	26,226	27,489
<b>Current assets</b>			
Stocks	9	5,765	5,246
Debtors due within one year	10	16,682	16,061
Debtors due after more than one year	10	3,000	3,000
Cash at bank and in hand		211	54
		25,658	24,361
<b>Creditors: amounts falling due within one year</b>	11	(16,040)	(13,522)
<b>Net current assets</b>		9,618	10,839
Provisions for liabilities	12	(500)	(601)
<b>Net assets</b>		35,344	37,727
<b>Capital and reserves</b>			
Called up share capital	13	1,500	1,500
Profit and loss account		33,844	36,227
<b>Shareholders' funds</b>		35,344	37,727

These financial statements of Denso Marston Ltd, Company number 00305275, were approved by the Board of Directors on 5 September 2017.

Signed on behalf of the Board of Directors

  
D Hanson  
Director

The accompanying notes form an integral part of this balance sheet.

## Denso Marston Ltd

### Statement of changes in equity As at 31 March 2017

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
<b>At 1 April 2015</b>	1,500	38,620	40,120
Profit for the financial year and total comprehensive income	-	6,703	6,703
Dividends paid (Note 18)	-	(9,096)	(9,096)
<b>At 31 March 2016</b>	<u>1,500</u>	<u>36,227</u>	<u>37,727</u>
Profit for the financial year and total comprehensive income	-	4,320	4,320
Dividends paid (Note 18)	-	(6,703)	(6,703)
<b>At 31 March 2017</b>	<u>1,500</u>	<u>33,844</u>	<u>35,344</u>

## Notes to the financial statements For the year ended 31 March 2017

### 1. Accounting Policies

The principal accounting policies adopted are summarised below. They have all been applied consistently throughout the current and preceding years.

#### Going concern

The Directors have considered the adoption of the going concern basis in preparing the financial statements given the current economic climate and have formed the conclusion that there are no material uncertainties with respect to the Company's ability to continue as a going concern for the foreseeable future. In forming this view the Directors have considered the Company's budgets and trading forecasts and the committed bank facilities available to the Company together with forecast headroom against those borrowing facilities including the impact of reasonable sensitivities. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### General information and basis of accounting

Denso Marston Ltd is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Directors report on page 3.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Denso Marston Ltd is considered to be Pounds Sterling because that is the currency of the primary economic environment in which the company operates.

Denso Marston Ltd meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Denso Marston Ltd is consolidated in the financial statements of its parent, DENSO International UK Limited, which may be obtained from the address given in note 20. Exemptions have been taken in these separate company financial statements in relation to financial instruments, presentation of a cash flow statement, remuneration of key management personnel and intragroup related party transactions.

#### Fixed assets and depreciation

Tangible fixed assets are stated at cost less provision for depreciation and impairment.

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets less estimated residual value by equal annual instalments over their estimated useful lives as follows:

Freehold buildings	40 years
Long leasehold land and buildings	life of lease
Plant and machinery	between 4 and 15 years

No depreciation is provided on freehold land.

No depreciation is provided on assets in the course of construction.

Expenditure on patents purchased by the Company is charged against profits in the year in which it is incurred.

#### Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred.

#### Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Provision is made for obsolete, slow-moving or defective items where appropriate.

**Notes to the financial statements (continued)**  
**For the year ended 31 March 2017**

**1. Accounting Policies (continued)**

**Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to the sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Tools**

Purchases of process tooling are included in tangible fixed assets. Tooling for the production of specific components is held as a current asset and to the extent that it is not recoverable from the respective customer is charged to the profit and loss account over its estimated useful life.

**Foreign currencies**

Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling at the balance sheet date. Exchange differences arising on normal trading transactions in the year are included in the profit and loss account.

**Notes to the financial statements (continued)**  
**For the year ended 31 March 2017**

**1. Accounting Policies (continued)**

**Turnover**

Turnover consists of sales to third parties net of discounts and excluding value added tax. Sales are recognised as goods are despatched to customers in the normal course of business.

**Operating Leases**

Leases and the rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

**Pension costs**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Any contributions unpaid at the year-end are shown as an accrual in the balance sheet.

**Government Grants**

Government grants are recognised based on the accrual model and are measured at fair value of the asset received or receivable. Grants are classified as relating to either revenue or to assets. Grants relating to revenue are recognised in income over the period to which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

**Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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.

**Financial assets and liabilities**

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

**2. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

**Notes to the financial statements (continued)**  
**For the year ended 31 March 2017**

**2. Critical Accounting Judgements and key sources of estimation uncertainty (continued)**

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

**Critical judgements in applying the company's accounting policies**

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

**Recoverability of Deferred Tax Assets**

Deferred Tax assets are recognised only to the extent that it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Recognition, therefore, involves judgement regarding the forecasting of future taxable profits of the Company, and in applying an appropriate adjustment for risk.

**Provisions for Warranty Claims**

Provisions for potential warranty claims reflect historic quality rates for mature products, together with anticipated quality rates for new products, and represent estimated costs to remedy the various quality issues which might occur. Historically, warranty costs have been very low reflecting a high level of product quality, but the directors recognise that a claim has the potential to be very costly and an appropriate provision is maintained.

**Provisions for Stock Impairment**

Provisions are recognized for obsolete, slow-moving or defective inventory and are reviewed on a quarterly basis. In determining the provisions, on-hand inventory is compared with actual historic demand and future forecasted demand and appropriate provisions are made to reflect the risk of obsolescence based on the directors' judgement and knowledge of the business.

**Key source of estimation uncertainty**

In the opinion of the directors, there are no key sources of estimation uncertainty.

**3. Turnover**

Turnover represents amounts invoiced by the Company for goods despatched to customers in the normal course of business during the year, excluding value added tax.

	2017 £'000	2016 £'000
United Kingdom	26,185	29,097
Rest of Europe	18,038	17,474
The Americas	21,850	21,918
Asia	5,820	5,663
	<u>71,893</u>	<u>74,152</u>

# Denso Marston Ltd

## Notes to the financial statements (continued) For the year ended 31 March 2017

### 4. Information regarding directors and employees

	2017 £'000	2016 £'000
Directors' emoluments (excluding pensions)	164	170
Directors' pensions	19	20
Total	<u>183</u>	<u>190</u>

One director receives emoluments from the Company.

The average number of persons employed by the Company (including directors) during the year was as follows:

	2017 No.	2016 No.
<b>Monthly average number of persons employed</b>		
Production	523	546
Admin & Sales	120	122
	<u>643</u>	<u>668</u>

	£'000	£'000
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	17,386	17,234
Social security costs	1,555	1,465
Pension costs	1,226	1,225
	<u>20,167</u>	<u>19,924</u>

Other directors are employed by other Group companies and are also directors of other Group companies. It is not practical to allocate this between the services as executives of Denso Marston Ltd and their services to other Group companies.



**Notes to the financial statements (continued)**  
**For the year ended 31 March 2017**

**5. Operating profit**

Operating profit is stated after charging/(crediting):	2017 £'000	2016 £'000
Depreciation of owned tangible fixed assets (Note 8)	4,609	4,305
Loss/(gain) on sale of fixed assets	9	(1,018)
Impairment of fixed assets (Note 8)	156	46
Cost of stock recognised as an expense	32,460	32,548
Impairment of stock recognised as an expense	196	144
Research and development costs	313	394
Hire of plant and machinery under operating leases	432	488
Foreign exchange (gains)/losses	185	1,596
Staff costs (Note 4)	20,167	19,924
Grant income	(354)	(256)
	<u>          </u>	<u>          </u>
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's financial statements	30	30
	<u>          </u>	<u>          </u>
Total audit fees	30	30
	<u>          </u>	<u>          </u>
Tax services	19	24
Other services	4	6
	<u>          </u>	<u>          </u>
Total non-audit fees	23	30
	<u>          </u>	<u>          </u>

Of the total audit fee of £30,000 (2016: £30,000), an amount of £7,000 (2016: £10,000) is borne by another group company.

**6. Interest payable and similar charges**

	2017 £'000	2016 £'000
Amounts payable on Group loan	9	15
	<u>          </u>	<u>          </u>
Total	9	15
	<u>          </u>	<u>          </u>

**Notes to the financial statements (continued)**  
**For the year ended 31 March 2017**

**7. Tax on profit on ordinary activities**

There is no current tax charge for the current and previous year. The Company has tax losses carried forward for relief against future trading profits amounting to approximately £13,658,820 (2016: £15,996,317). A deferred tax asset has been recognised in the year relating to the losses and some of the capital allowances (Note 10). At 31 March 2017 the unrecognised net deferred tax asset was £1,868,000 (2016: £3,033,000).

	2017 £'000	2016 £'000
<b>Current tax</b>		
UK corporation tax at 20% (2016: 20%)	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	(129)	(233)
Effect of change in tax rate	196	333
<b>Total deferred tax</b>	67	100
<b>Tax on profit on ordinary activities</b>	67	100

The difference between the nil tax charge and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	4,387	6,803
Tax on profit on ordinary activities of the standard UK corporation tax rate of 20% (2016: 20%)	877	1,361
Effect of:		
Expenses not deductible for tax purposes	99	(106)
Income not taxable for tax purposes	(13)	(11)
Utilisation of tax losses	-	(1,577)
Tax rate changes	196	333
Corporation tax withheld on RDEC not recognised	67	100
Deferred tax not recognised	(1,161)	-
<b>Total tax charge for the year</b>	67	100

	2017 Provided £'000	2017 Unprovided £'000	2016 Provided £'000	2016 Unprovided £'000
<b>Deferred taxation and short term timing differences</b>				
Capital allowances in excess of depreciation	678	1,852	121	3,017
Losses	2,322	-	2,879	-
Other timing differences	-	16	-	16
	3,000	1,868	3,000	3,033

**Notes to the financial statements (continued)**  
**For the year ended 31 March 2017**

**7. Tax on profit on ordinary activities (continued)**

**Factors that may affect future tax charges**

The rate of corporation tax for the year has remained at 20%. Finance (No.2) Act 2015 reduced the rate from 20% to 19% (with effect from 1 April 2017) and to 18% (with effect from 1 April 2020). The 2020 rate was further reduced to 17% by Finance Act 2016. Accordingly, deferred tax has been provided in line with the rates at which temporary differences are expected to reverse.

**8. Tangible fixed assets**

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Plant and machinery £'000	Assets in the course of construction £'000	Total £'000
<b>Cost</b>					
1 April 2016	16,080	4,500	75,799	1,304	97,683
Additions	-	-	-	3,511	3,511
Transfers	109	-	2,637	(2,746)	-
Disposals	(118)	-	(878)	-	(996)
31 March 2017	16,071	4,500	77,558	2,069	100,198
<b>Depreciation</b>					
1 April 2016	5,824	1,191	63,179	-	70,194
Charge for year	488	46	4,075	-	4,609
Impairment	-	-	156	-	156
Disposals	(118)	-	(869)	-	(987)
31 March 2017	6,194	1,237	66,541	-	73,972
<b>Net book value</b>					
At 31 March 2017	9,877	3,263	11,017	2,069	26,226
At 31 March 2016	10,256	3,309	12,620	1,304	27,489

Included in freehold land and buildings is land at a cost of £1,655,000 (2016: £1,655,000) which is not depreciated.

**9. Stocks**

	2017 £'000	2016 £'000
Raw materials and consumables	3,644	3,866
Work-in-progress	1,184	833
Finished goods	937	547
	<u>5,765</u>	<u>5,246</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

# Denso Marston Ltd

## Notes to the financial statements (continued) For the year ended 31 March 2017

### 10. Debtors

	2017 £'000	2016 £'000
Trade debtors	12,447	13,218
Amounts owed by Group undertakings	2,899	1,703
Taxation and social security	215	164
Other debtors	39	37
Prepayments and accrued income	635	553
Corporation tax debtor	447	386
	<hr/>	<hr/>
Amounts due within one year	16,682	16,061
Amount due after one year:		
Deferred taxation (Note 7)	3,000	3,000
	<hr/>	<hr/>
	19,682	19,061
	<hr/>	<hr/>

The recognition of the deferred tax asset is based on management's assessment that it is probable that the entity will have taxable profits against which the unused tax losses can be utilised. Generally, in determining the amount of deferred tax asset to recognise, management use profitability information and forecasted operating results based on approved business plans.

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

	2017 £'000	2016 £'000
Trade creditors	4,589	3,645
Amounts owed to Group undertakings	7,100	5,411
Taxation and social security	382	362
Other creditors	3,637	3,819
Tooling prepayment	332	285
	<hr/>	<hr/>
	16,040	13,522
	<hr/>	<hr/>

The amounts owed to Group undertakings include £6,637,000 (2016: £4,903,000) of Group loans that are unsecured and repayable on demand. Interest is payable at the rate of LIBOR plus 0.45%

**Notes to the financial statements (continued)**  
**For the year ended 31 March 2017**

**12. Provisions for liabilities**

	Product warranties £'000	Total £'000
At 1 April 2016	601	601
Utilised	(81)	(81)
Released to profit and loss account	(520)	(520)
Increase in provision	500	500
	<hr/>	<hr/>
At 31 March 2017	500	500
	<hr/>	<hr/>

Provisions for potential warranty claims reflect historic quality rates for mature products, together with anticipated quality rates for new products, and represent estimated costs to remedy the various quality issues which might occur. Historically, warranty costs have been very low reflecting a high level of product quality, but the directors recognise that a claim has the potential to be very costly and an appropriate provision is maintained.

There is uncertainty over the timing of when claims will be settled and the quantum of the final settlement based on the nature of the specific issue, and the status of negotiations with the customer.

**13. Called up share capital**

	2017 £'000	2016 £'000
<i>Allotted, called up and fully paid</i>		
1,500,000 ordinary shares of £1 each	1,500	1,500
	<hr/>	<hr/>

**14. Commitments**

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2017 £'000	2016 £'000
Contracted for but not provided for	2,285	715
Other	-	-
	<hr/>	<hr/>
	2,285	715
	<hr/>	<hr/>

**15. Contingent liabilities and guarantees**

The Company's bankers have provided an unsecured guarantee to HMRC in respect of duties payable by the Company. At the balance sheet date, the guarantee amounted to £600,000 (2015: £600,000).

**Notes to the financial statements (continued)**  
**For the year ended 31 March 2017**

**16. Operating lease commitments**

Minimum lease payments under non-cancellable operating leases are as follows:

	<b>Plant and machinery</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Contracts expiring:		
Within one year	310	303
In the second to fifth years	254	348
	<u>564</u>	<u>651</u>

**17. Pension costs**

**Defined contribution schemes**

The company operates a defined contribution retirement benefit scheme ("DC scheme") for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The pension cost charge (Note 4) includes contributions payable by the Company to the DC scheme amounting to £1,225,785 (2016: £1,224,706). As at 31 March 2017, contributions of £96,730 (2016: £91,536) due in respect of the current reporting period had not been paid over to the scheme.

**Defined benefit schemes**

The Company has previously operated a defined benefit pension scheme, which was transferred to a fully funded insurance-based benefit in March 2012, and closed and formally wound up in February 2015. The Company has no residual liabilities from either the pension scheme or the insurance scheme.

**18. Dividends on equity shares**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Proposed final dividend for the year	<u>4,320</u>	<u>6,703</u>

The proposed final dividend of 288p per ordinary share (2016: 447p per ordinary share) is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements.

**19. Related parties**

As a subsidiary company of ultimate parent undertaking DENSO Corporation, the company has taken advantage of the exemptions in FRS102 Section 33 "Related Party Transactions" from disclosing transactions with members of the group headed by DENSO Corporation.

**20. Ultimate parent company and parent undertaking**

The company's immediate parent undertaking is DENSO International UK Limited, a company incorporated in the United Kingdom and registered in England and Wales. The ultimate parent company and controlling entity is DENSO Corporation, a company incorporated in Japan.

## **Denso Marston Ltd**

### **Notes to the financial statements (continued)** **For the year ended 31 March 2017**

The smallest and largest group in which the results of the company are consolidated is that headed by DENSO Corporation. Copies of that company's financial statements are available at the parent company's registered office of 1-1, Show a-cho, Kariya, Aichi 448 – 8661, Japan.