

Company Registration No. 305275

DENSO MARSTON LIMITED

Report and Financial Statements

31 March 2010

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DENSO MARSTON LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

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DENSO MARSTON LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Nicoletti
M Inoue
T Sugiyama

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

AUDITORS

Deloitte LLP
Chartered Accountants & Statutory Auditors
Leeds

DENSO MARSTON LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2010

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

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 in the United Kingdom, Italy, Czech Republic, Spain, Portugal, Turkey and Poland.

The company's principal activity is the manufacture of radiators, charge air coolers, oil coolers and fuel coolers, for the truck, off-highway, power generation and passenger car sectors.

Turnover for the year showed a reduction from £81m to £50m (39%), reflecting market conditions generally. All sectors suffered significant volume reduction, with construction sector the most severely affected.

Despite the very challenging conditions, the company managed to improve its Gross Profit margin from 9.2% to 9.9% of sales, and Administration and Distribution costs were reduced by £0.6m (14%). In common with many companies running a Defined Benefit Pension Scheme, the balance sheet has been impacted adversely by the movement in the Pension Fund balance (£8m), but continues to look strong with Net Assets of £17m. Cashflow was healthy, with a cash inflow before financing of £3.4m. During the year the company has paid down its loan from group undertakings by £8m, in compliance with the agreed terms. Because the company is a division of a larger group, the directors believe that no further key performance indicators are required to assess the company's performance.

The company has continued to invest strongly in new technology, and in research and development activities.

The directors believe that the company is in excellent financial health and is emerging from the recent recession as a far stronger competitor in the marketplace. The directors anticipate a return to growth and strong profitability during 2010/11.

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 are United Kingdom and Europe with 72% of sales (2009 75%) and the Americas with 26% (2009 24%). The company is very proud of its high quality customer base and is confident that the company and its customers will emerge stronger from the recent global economic downturn.

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. The company feels it is in a stronger position to cope with the economic uncertainty than many of its competitors.

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 through the Central Treasury Function at rates fixed in advance for the duration of the financial year.

Cash flow - 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.

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.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (2009 £1,031,000). The retained profit for the financial year of £1,172,000 (2009 £3,436,000) is to be transferred to reserves.

DENSO MARSTON LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS

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

M Nicoletti

M Di Rao Marotta (resigned 31 March 2010)

T Sugiyama

M Inoue (appointed 31 March 2010)

ENVIRONMENT

The Company is accredited to ISO 14001, first achieving certification in 1996, and last received recertification in September 2009. Through the company's commitment to the Group wide DENSO EcoVision 2015 programme it is committed to programmes of continual environmental improvement. It is the policy of the company to perform all activities giving due consideration to the environmental expectations and obligations relative to regulatory bodies, customers, suppliers, employees, DENSO Corporation objectives and the needs of the wider community.

The environmental objectives of the company are to -

- * Strengthen Environmental Management within the Company, the European Group of DENSO Companies and the Thermal Systems Group, by active and vigorous engagement with the policies, targets and programmes of these component parts of the overall DENSO Group
- * Implement Environmentally Sensitive Design, by controlling and reducing the impact of our designs and the materials embodied in these on the environment, and by promoting sustainable practices within our supply chain
- * Achieve a clean factory by reducing the environmental load of our production processes and practices, by reducing energy consumption and waste, minimising waste to landfill, and by streamlining our distribution and logistics system to reduce emissions from unnecessary transportation
- * Promote Environmental Activity within the Community, by maintaining and improving the Nature Reserve, by playing a prominent role within local Business and Environmental organisations and by acting as an example for educational activity

The company is committed to operating our facilities in a responsible and safe manner, with concern for the prevention of pollution, the environment and the community in which it operates. The company commits itself to both meet current legislative requirements and also to work for a continual improvement in environmental performance.

QUALITY SYSTEMS

DENSO Marston is accredited to ISO TS 16949:2009 and ISO 9001:2008. The company is totally committed to customer satisfaction through higher levels of quality, with a strong history of Kaizen (continual improvement). This is reflected in our Customer Claim Defect Ratio which we have reduced by half for the third consecutive year and which now stands at just 94 parts per million – market leading performance in our sector.

The quality improvement objectives of the company are

- To ensure each associate has the motivation for improvement,
- Develop key suppliers proactively to improve competences and quality systems,
- Clearly define, adhere to and improve our operational methods, and
- Continual monitor and take actions to improve the 'Key Performance Indicators'

DENSO MARSTON LIMITED

DIRECTORS' REPORT (continued)

EMPLOYEES

Details of the number of employees and related costs can be found in note 3 to the financial statements on page 11

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.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made no political contributions during the year (2009 £nil). Charitable donations of £2,000 (2009 £1,000) were made during the year.

SUPPLIER PAYMENT POLICY

The company's policy is to pay suppliers in accordance with the agreed terms. Trade creditors at 31 March 2010 were equivalent to 20.8 (2009 24.7) days' purchases calculated on a first-in-first-out basis.

GOING CONCERN

The Directors believe that DENSO Marston Limited will continue to be cash-generative for at least the next 12 months. The directors consider that, having reviewed cash flow forecasts for this period which allow for appropriate downside sensitivities, DENSO Marston 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.

DISCLOSURE OF RELEVANT INFORMATION TO AUDITORS

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 auditors are 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 auditors are aware of that information.

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

AUDITORS

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

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



J White
Secretary

24th August 2010

DENSO MARSTON LIMITED

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). 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 AUDITORS' REPORT TO THE MEMBERS OF DENSO MARSTON LIMITED

We have audited the financial statements of DENSO Marston Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22. 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).

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 auditors' 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 auditors

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 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 (APB'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.

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 2010 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 the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.



Christopher Powell FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Leeds, England
1 September 2010

DENSO MARSTON LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2010

	Note	2010 £'000	2009 £'000
TURNOVER	2	49,820	81,239
Cost of sales		(44,878)	(73,768)
Gross profit		4,942	7,471
Distribution costs		(417)	(974)
Administrative expenses		(3,307)	(3,374)
Other operating (expense)/income		(437)	1,204
OPERATING PROFIT	4	781	4,327
Interest receivable and similar income	5	13	395
Interest payable and similar charges	6	(774)	(946)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		20	3,776
Tax on profit on ordinary activities	7	1,152	(340)
RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	14,15	1,172	3,436

The results of the current and previous year derive wholly from continuing operations

A reconciliation of movements in equity shareholders' funds is given in note 15 to the financial statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2010

	2010 £'000	2009 £'000
Profit for the financial year	1,172	3,436
Actuarial loss in relating to the pension scheme (Note 19)	(9,532)	(1,215)
Deferred tax (charge)/credit on actuarial loss	(52)	340
Total recognised gains relating to the year	(8,412)	2,561

The accompanying notes are an integral part of this profit and loss account and this statement of total recognised gains and losses

DENSO MARSTON LIMITED

BALANCE SHEET 31 March 2010

	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Tangible assets	8	23,828	26,421
CURRENT ASSETS			
Stocks	9	3,589	5,254
Debtors due within one year	10	11,813	13,826
Cash at bank and in hand		170	4,735
		15,572	23,815
CREDITORS: amounts falling due within one year	11	(15,582)	(18,366)
NET CURRENT (LIABILITIES)/ASSETS		(10)	5,449
TOTAL ASSETS LESS CURRENT LIABILITIES		23,818	31,870
CREDITORS: amounts falling due after one year	12	(2,500)	(9,000)
NET ASSETS EXCLUDING PENSION ASSET		21,318	22,870
Pension (liability)/asset	19	(4,098)	3,793
NET ASSETS		17,220	26,663
CAPITAL AND RESERVES			
Called up share capital	13	1,500	1,500
Profit and loss account	14	15,720	25,163
SHAREHOLDERS' FUNDS	15	17,220	26,663

These financial statements of DENSO Marston Limited, company number 305275, were approved by the Board of Directors on 24th August 2010

Signed on behalf of the Board of Directors


Director
M Inoue

The accompanying notes form an integral part of this balance sheet

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2010

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies which have been applied consistently throughout the current and preceding year are described below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Under the provisions of FRS 1 Cash flow statements (Revised 1996), the Company has not prepared a cash flow statement, because its ultimate parent company, DENSO Corporation, has prepared consolidated financial statements which are publicly available and include the financial statements of the Company and which contain a cash flow statement.

Going concern

The directors have prepared the accounts on a going concern basis. For more details, see the directors' report.

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

Leasehold land and buildings life of lease

Plant, tools, fixtures and fittings and equipment between 4 and 15 years

No depreciation is provided on freehold land.

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.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially 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.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, 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.

DENSO MARSTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted

Deferred tax assets and liabilities are not discounted

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.

Turnover

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

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating 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

DENSO Marston Limited operates a company pension fund - The DENSO Marston Pension Scheme. The scheme is of the defined benefit type whereby annual contributions are determined on the recommendations of independent actuaries (see note 19). The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The scheme is funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

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 and contributions actually paid are shown as either accrual or prepayments in the balance sheet.

DENSO MARSTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

2. 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

	2010 £'000	2009 £'000
United Kingdom	21,991	33,361
Rest of Europe	14,120	27,381
The Americas	12,979	19,252
Asia	730	1,245
	<u>49,820</u>	<u>81,239</u>

The directors consider that the company operates in one business segment

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2010 £'000	2009 £'000
Directors' emoluments	<u>555</u>	<u>357</u>

The aggregate of emoluments of the highest paid director was £555,000 (2009 £357,000)

	2010 No.	2009 No.
Remuneration benefits are accruing to the following number of directors under		
Defined benefit scheme	<u>-</u>	<u>-</u>

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

	2010 No.	2009 No.
Average number of persons employed	<u>525</u>	<u>737</u>

	2010 £'000	2009 £'000
Staff costs during the year (including directors)		
Wages and salaries	11,520	16,267
Social security costs	875	1,435
Pension costs	578	900
	<u>12,973</u>	<u>18,602</u>

DENSO MARSTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):	2010 £'000	2009 £'000
Reorganisation costs	399	803
Depreciation of tangible fixed assets		
- Owned	4,857	4,954
Loss on sale of fixed assets	11	-
Impairment of fixed assets	41	-
Research and development costs	214	278
Hire of plant and machinery	307	377
Foreign exchange losses/(gains)	15	(2,587)
	<u> </u>	<u> </u>
Auditors' remuneration		
Fees payable to the company's auditor for the audit of the company's annual accounts	33	30
	<u> </u>	<u> </u>
Total audit fees	33	30
	<u> </u>	<u> </u>
Tax services	11	10
	<u> </u>	<u> </u>
Total non audit fees	11	10
	<u> </u>	<u> </u>

Reorganisation costs of £399,000 (2009 £803,000) represent the employment costs associated with a reduction in headcount

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £'000	2009 £'000
Bank interest receivable	13	54
Net return on pension scheme	-	341
	<u> </u>	<u> </u>
Total	13	395
	<u> </u>	<u> </u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £'000	2009 £'000
Amounts payable on group loan	707	946
Net return on pension scheme	67	-
	<u> </u>	<u> </u>
Total	774	946
	<u> </u>	<u> </u>

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 £13,607,000 (2009 £19,707,000) and capital allowances of £8,489,000 (2009 £2,339,000). A deferred tax asset has been recognised in the year relating to the losses (note 10). At 31 March 2010 the unrecognised net deferred tax asset was £6,235,000 (2009 £4,699,000).

DENSO MARSTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2010 £'000	2009 £'000
Current tax		
UK corporation tax at 28% (2009 28%)	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(1,152)	340
Total deferred tax	(1,152)	340
Tax on profit on ordinary activities	(1,152)	340

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

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	20	3,776
Tax on profit on ordinary activities of the standard UK corporation tax rate of 28% (2009 28%)	6	1,057
Effect of		
Capital allowances in excess of depreciation	(704)	(28)
Expenses not deductible for tax purposes	28	(4)
Carry forward of tax losses	716	(371)
Pension movements	-	(654)
Short term timing differences	(46)	-
Current tax credit for the year	-	-

	2010 Provided £'000	2009 Unprovided £'000	2010 Provided £'000	2009 Unprovided £'000
Deferred taxation	-	2,377	-	655
Capital allowances in excess of depreciation	1,100	2,710	1,475	4,043
Losses	-	1,147	(1,475)	-
Pensions	1,100	6,234	-	4,699

DENSO MARSTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Plant and machinery £'000	Payments on account and assets in the course of construction £'000	Total £'000
Cost					
At beginning of year	11,126	5,018	59,877	2,801	78,822
Additions	-	-	-	2,316	2,316
Transfers	-	-	3,172	(3,172)	-
Disposals	-	-	(2,999)	-	(2,999)
At end of year	11,126	5,018	60,050	1,945	78,139
Depreciation					
At beginning of year	3,215	1,243	47,943	-	52,401
Charge for year	271	58	4,569	-	4,898
Disposals	-	-	(2,988)	-	(2,988)
At end of year	3,486	1,301	49,524	-	54,311
Net book value					
At 31 March 2010	7,640	3,717	10,526	1,945	23,828
At 31 March 2009	7,911	3,775	11,934	2,801	26,421

The cost of depreciable assets is £76,484,000 (2009 £77,167,000)

Included in freehold land and buildings is land at a cost of £1,655,000 (2009 £1,655,000) which is not depreciated

9. STOCKS

	2010 £'000	2009 £'000
Raw materials and consumables	1,952	3,543
Work-in-progress	1,269	1,424
Finished goods	368	287
	3,589	5,254

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

DENSO MARSTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

10. DEBTORS

	2010 £'000	2009 £'000
Trade debtors	9,296	10,794
Amounts owed by group undertakings	1,070	1,089
Other debtors	92	90
Prepayments and accrued income	135	118
Tooling prepayment	120	260
Deferred taxation	1,100	1,475
	<u>11,813</u>	<u>13,826</u>

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.

On 22 June 2010, the Emergency Budget announced a change in the corporation tax rates to reduce the UK main tax rate from 28% to 24% over a 4 year period from 1 April 2011. It is anticipated that Finance Act 2010 (2) will enact a 1% reduction, effective from 1 April 2011. Therefore, the impact on the company's deferred tax asset is anticipated to be c £40,000 at the next balance sheet date.

11 CREDITORS: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	4,467	4,331
Amounts owed to group undertakings	9,202	11,489
Other creditors including taxation and social security	938	1,151
Accruals and deferred income	975	1,395
	<u>15,582</u>	<u>18,366</u>

The amounts owed to group undertakings include £1,476,000 (2009 £1,467,000) of group loans that are repayable on demand.

12. CREDITORS: amounts falling due after one year

	2010 £'000	2009 £'000
Amounts owed to group undertakings	<u>2,500</u>	<u>9,000</u>

The amounts owed to group undertakings are repayable in six quarterly tranches from May 2010 to August 2011 and carry an interest rate of 5.285%. Interest is charged by group undertakings on a quarterly basis in arrears.

13. SHARE CAPITAL

	2010 £'000	2009 £'000
<i>Allotted, called up and fully paid</i>		
1,500,000 ordinary shares of £1 each	<u>1,500</u>	<u>1,500</u>

DENSO MARSTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

14. RESERVES

	Profit and loss account £'000	
At 1 April 2009	25,163	
Retained profit for the year	1,172	
Actuarial loss relating to the pension scheme	(9,532)	
Deferred tax adjustment	(52)	
Dividend paid	(1,031)	
At 31 March 2010	15,720	
	2010 £'000	2009 £'000
Profit and loss reserve excluding pension asset	19,818	21,370
Amount relating to defined benefit pension scheme asset	(4,098)	3,793
Profit and loss reserve	15,720	25,163

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £'000	2009 £'000
Retained profit for the year	1,172	3,436
Dividend paid (note 20)	(1,031)	(1,385)
Actuarial loss relating to the pension scheme	(9,532)	(1,215)
Deferred tax (credit)/charge on actuarial loss/gain	(52)	340
Net (reduction)/addition to equity shareholders' funds	(9,443)	1,176
Opening equity shareholders' funds	26,663	25,487
Closing equity shareholders' funds	17,220	26,663

16. COMMITMENTS

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

	2010 £'000	2009 £'000
Contracted commitments	1,834	2,031

17. 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 (2009 £600,000)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2010

18. OPERATING LEASE COMMITMENTS

Annual commitments under operating leases are as follows

	Plant and machinery	
	2010	2009
	£'000	£'000
Contracts expiring		
Within one year	144	215
In the second to fifth years	171	124
	<u>315</u>	<u>339</u>

19. PENSION COSTS

The company operates a defined benefit pension scheme. Preliminary results of the full actuarial valuation at 6 April 2009 were updated to 31 March 2010 by a qualified actuary.

The major assumptions used in this valuation were

	2010	2009	2008
Rate of increase in salaries	3.70%	3.00%	3.50%
Rate of increase in pensions in payment	3.40%	2.70%	3.20%
Discount rate applied to scheme liabilities	5.60%	6.45%	6.10%
Inflation assumption	3.50%	2.80%	3.30%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Mortality assumptions:

Consideration has been given to the mortality experience of the Group's defined benefit scheme. It is concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are

	Valuation at	
	2010	2009
	years	years
Retiring today		
Males	20.2	20.1
Females	22.7	22.6
Retiring in 20 years		
Males	22.1	22.0
Females	24.5	24.4

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 9%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 8%
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by 2%
Rate of mortality	Increase by 1 year	Increase by 3%

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Year ended 31 March 2010

19. PENSION COSTS (continued)

The fair value of the defined benefit scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, are set out below. In 2008, the scheme's assets were valued based on a mid-market value. In 2009 and 2010, the valuation was conducted using a bid value. The comparatives have not been restated on the basis that the overall difference in valuation is not material.

	Long term rate of return 2010	Value at 2010 £'000	Long term rate of return 2009	Value at 2009 £'000	Long term rate of return 2008	Value at 2008 £'000
Equities	8.00%	-	7.55%	33,583	7.40%	41,329
Diversified Growth vehicle	8.00%	58,143	-	-	-	-
Index linked bonds and inflation-linked swap instruments	4.50%	17,059	4.05%	14,782	4.40%	18,698
Fixed interest bonds and interest rate swap instruments	4.5%	3,804	4.05%	17,069	4.40%	13,894
Other	2.0%	668	0.5%	540	5.25%	1,570
		<u>79,674</u>		<u>65,974</u>		<u>75,491</u>
Present value of scheme liabilities		(83,772)		(60,706)		(69,595)
(Deficit)/asset in the pension scheme		<u>(4,098)</u>		<u>5,268</u>		<u>5,896</u>
Deferred tax balance recognised		-		(1,475)		(1,651)
		<u>(4,098)</u>		<u>3,793</u>		<u>4,245</u>

In 2009 the scheme is in deficit, however no recognition has been made of the potential deferred tax asset.

For the year ended 31 March 2010 the contribution rate was 13% of pensionable earnings. The agreed contribution rate for future years is 13% of pensionable earnings. The pension charge for the year relating to the scheme was £594,000 (2009: £559,000).

In July 2010, following the agreement of the Actuarial Valuation dated 6th April 2009, the Company committed to make annual contributions of £3,000,000 into the defined benefit scheme for a period of five years, with the first payment due on or before 5th April 2011. This agreed contribution schedule will be reviewed and may be revised after finalisation of the next triennial scheme valuation at 6th April 2012.

DENSO MARSTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

19. PENSION COSTS (continued)

Movement in surplus during the year

	2010 £'000	2009 £'000
Surplus in scheme at beginning of year	5,268	5,896
Current service cost	(527)	(900)
Contributions paid	760	1,146
Other finance cost	(67)	341
Actuarial loss	(9,532)	(1,215)
(Deficit)/surplus in scheme at end of year	(4,098)	5,268

Movements in the present value of the defined benefit obligations were as follows

	2010 £'000	2009 £'000
At 1 April	60,706	69,595
Current service cost	527	900
Interest cost	3,806	4,183
Contributions by scheme participants	452	602
Actuarial losses/(gains)	22,659	(11,037)
Benefits paid, death in service insurance premiums and expenses	(4,378)	(3,537)
At 31 March	83,772	60,706

Movements in the fair value of the scheme assets are as follows

	2010 £'000	2009 £'000
At 1 April	65,974	75,491
Expected return on scheme assets	3,739	4,524
Actuarial gains/(losses)	13,127	(12,252)
Contributions by the company	760	1,146
Contributions by scheme participants	452	602
Benefits paid, death in service insurance premiums and expenses	(4,378)	(3,537)
At 31 March	79,674	65,974

Analysis of other pension costs in arriving at operating profit

	2010 £'000	2009 £'000
Current service cost	527	900

Analysis of amounts included in other finance costs

	2010 £'000	2009 £'000
Expected return on pension scheme assets	3,739	4,524
Interest on pension scheme liabilities	(3,806)	(4,183)
	(67)	341

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2010

19. PENSION COSTS (continued)

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
History of experience gains and losses					
Actual return less expected return on scheme assets	13,127	(12,252)	(5,407)	(534)	6,180
Percentage of year end scheme assets	16%	(19%)	(7%)	(1%)	10%
Experience gains and losses arising on scheme	(3,409)	380	(244)	10,501	140
Percentage of present value of year end scheme liabilities	(4%)	1%	(0%)	14%	1%
Changes in assumptions underlying the present value of scheme liabilities	(19,250)	10,657	6,679	6,353	(10,559)
Percentage of present value of year end scheme liabilities	(23%)	18%	10%	9%	(12%)
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(9,532)	(1,215)	1,028	16,320	(4,239)

20. DIVIDENDS ON EQUITY SHARES

	2010 £'000	2009 £'000
Proposed final dividend for the year ended 31 March 2010	-	1,031

No dividend is proposed in respect of the year ended 31 March 2010 (2009 £68 7p per ordinary £1 share)

21. ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING

The ultimate parent company is DENSO Corporation incorporated in Japan. The parent undertaking of the largest group which includes the company and for which group accounts are prepared is DENSO Corporation. Copies of the group financial statements are available from DENSO Corporation, Financial Planning Centre, 1-1, Show a-cho, Kariya, Aichi 448 – 8661, Japan.

The parent undertaking of the smallest group for which the group accounts are drawn up and of which the company is a member is DENSO International (Europe) BV incorporated in Holland.

22. RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption in Financial Reporting Standard 8 'Related Party Transactions' from disclosing transactions with other wholly owned members of the group headed by DENSO Corporation Limited.