

# **ND Marston Limited**

## **Directors' report and financial statements**

**31 December 1994**

Registered number 305275



# ND Marston Limited

## Directors' report and financial statements

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# ND Marston Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1994.

### Principal activities

The principal activity of the company during the year was the production of heat exchangers for the automotive industry.

### Business review

Sales from Shipley and Leeds factories increased by a total of 31% in 1994 as a result of the general upturn in the European vehicle market, particularly in the final quarter.

The new production facilities commissioned in 1994 provides the ability to expand output further in 1995.

Indications are that sales will continue to increase in 1995 due to improving market conditions and our continuing introduction of new business.

### Research and development

Research and development activity has been concerned with product and process reliability and also the development of products to increase the company's competitive position.

### Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend. The retained loss of £3,251,000 (1993: £4,283,000) is to be transferred from reserves.

### Significant changes in fixed assets

Changes in fixed assets are detailed in note 7 to the financial statements.

### Market value of land and buildings

In the opinion of the directors, the market value of the land and buildings of the company does not significantly exceed the book value of these assets.

# ND Marston Limited

## Directors' report

### Directors and directors' interests

The directors who held office during the year were as follows:

M Ohiwa	(Chairman)
E Lewis	(President) (Retired 31 March 1994)
K Suzuki	(Appointed President 1 April 1994)
D Clegg	
A D Hyett	
M Kako	
M Nicoletti	
T Ochi	
C L Robertshaw	
B K Rowland	
J R Wain	
J Soh	(Appointed 1 April 1994)

None of the directors held shares or other beneficial interests in the shares of the company at any time during the year.

### Employees

The directors believe that considerable benefit can be derived from the provision of systematic channels for employee participation. Formal joint consultative machinery has been in operation for many years and exchanges of information between management and employees is strongly encouraged.

During 1994 joint consultation has continued, through exchange of information and constructive discussion, to play a vital role in ensuring consideration of employees' views on matters likely to affect their interest and in developing understanding of factors affecting the performance of the company.

During the year, the company continued to give full and fair consideration to applications for employment from disabled persons and wherever practicable, in any cases that arose, to retain by appropriate training any employee who become disabled whilst working for the company. Disabled employees shared equally in training, career development and promotion programmes.

### Political and charitable contributions

The company made no political or charitable contributions during the year.

# ND Marston Limited

## Directors' report

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

### Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

  
**D Clegg**  
Secretary

Marston House  
Otley Road  
Baildon  
Shipley  
West Yorkshire  
BD17 7JR

27 April 1995



1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

## Auditors' report to the members of ND Marston Limited

We have audited the financial statements on pages 5 to 22 in accordance with Auditing Standards.

### *Respective responsibilities of directors and auditors*

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### *Basis of opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### *Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG**  
Chartered Accountants  
Registered Auditors

27 April 1995

# ND Marston Limited

## Profit and loss account

for the year ended 31 December 1994

	Note	1994		1993	
		£000	£000	£000	£000
<b>Turnover from continuing operations</b>	2		<b>49,756</b>		<b>37,884</b>
Cost of sales			(45,470)		(35,765)
<b>Gross profit</b>			<b>4,286</b>		<b>2,119</b>
Distribution costs			(1,087)		(799)
Administrative expenses:					
Exceptional pension credit		92		548	
Other administrative costs		(5,325)		(4,903)	
			(5,233)		(4,355)
Other operating income			38		71
<b>Operating loss</b>			<b>(1,996)</b>		<b>(2,964)</b>
Other interest receivable and similar income			41		5
Interest payable and similar charges	3		(1,186)		(1,324)
<b>Loss on ordinary activities before taxation</b>	3		<b>(3,141)</b>		<b>(4,283)</b>
Tax on loss on ordinary activities	4		(110)		-
<b>Retained loss for the financial year</b>			<b>(3,251)</b>		<b>(4,283)</b>

Turnover and operating profit derive wholly from continuing operations.

There are no gains or losses other than those recognised in the profit and loss account for the period.

A reconciliation of movements in shareholders' funds is given in note 16 to the financial statements.

# ND Marston Limited

## Balance sheet at 31 December 1994

	Note	1994		1993	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	7		29,151		30,171
Investments	8		63		63
			<u>29,214</u>		<u>30,234</u>
<b>Current assets</b>					
Stocks	9	4,037		3,758	
Debtors	10	14,134		10,343	
Cash at bank and in hand		369		1,350	
		<u>18,540</u>		<u>15,451</u>	
<b>Creditors: amounts falling due within one year</b>	11	(20,207)		(20,822)	
<b>Net current liabilities</b>		(1,667)		(5,371)	
Of which: due within one year			(3,503)		(8,199)
debtors due after more than one year	10		1,836		2,828
<b>Total assets less current liabilities</b>			<u>27,547</u>		<u>24,863</u>
<b>Creditors: amounts falling due after more than one year</b>	12		(5,467)		(6,532)
<b>Net assets</b>			<u>22,080</u>		<u>18,331</u>
<b>Capital and reserves</b>					
Called up share capital	14		28,800		21,800
Share premium account	15		10,135		10,135
Revaluation reserve	15		7		7
Profit and loss account	15		(16,862)		(13,611)
<b>Shareholders' funds</b>			<u>22,080</u>		<u>18,331</u>

These financial statements were approved by the board of directors on 27 April 1995 and were signed on its behalf by:

  
K Suzuki  
Director



# ND Marston Limited

## Cash flow statement

for the year ended 31 December 1994

	Note	1994		1993	
		£000	£000	£000	£000
Net cash inflow/(outflow) from operating activities	20		4,116		(837)
<b>Return on investments and servicing of finance</b>					
Interest received		41		5	
Interest paid		(648)		(645)	
Interest element of finance lease rental payments		(672)		(489)	
Net cash outflow from returns on investment and servicing of finance			(1,279)		(1,129)
<b>Taxation</b>					
UK corporation tax recovered		-		97	
Tax recovered			-		97
<b>Investing activities</b>					
Purchase of tangible fixed assets		(2,800)		(1,501)	
Capital grants received		206		206	
Sale of tangible fixed assets		69		51	
Net cash outflow from investing activities			(2,525)		(1,244)
Net cash inflow/(outflow) before financing			312		(3,113)
<b>Financing</b>					
Issue of ordinary share capital		7,000		2,800	
Capital element of finance lease rental payments		(950)		(1,070)	
Net cash inflow from financing			6,050		1,730
Increase/(decrease) in cash and cash equivalents	21		6,362		(1,383)

# ND Marston Limited

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared under alternative accounting rules set out in the 4th Schedule to the Companies Act 1985. Certain freehold properties and plant are stated at revalued amounts; all other items are stated in the accounts at historical cost.

#### *Consolidation*

The company has not prepared consolidated accounts. The directors are of the opinion that preparation of consolidated accounts would be of no real value to the members in view of the insignificant amounts involved.

#### *Depreciation*

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets 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.

#### *Stocks*

Stocks and work in progress are valued on a 'first in, first out' basis at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

# ND Marston Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### *Taxation*

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

#### *Research and development expenditure*

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

#### *Government grants*

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to trading profit over the estimated useful economic lives of the assets to which they relate.

#### *Fixed assets - Tools*

In general, tools purchased initially with major items of plant are included in the capital cost of that plant. Subsequent replacements and other tools are held as current assets and charged to the profit and loss account over their estimated useful lives.

#### *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. Exchange differences arising on the retranslation at year end exchange rates of currency loans used for overseas investments are taken directly to reserves.

#### *Pension costs*

ND Marston operates a company pension fund - The ND Marston Pension Scheme. The funds are administered by trustees and are independent of the company finances. The scheme is of the defined benefit type whereby annual contributions are determined on the recommendations of independent actuaries (see note 23).

# ND Marston Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### 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 rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

### 2 Turnover

Turnover represents amounts invoiced by the company in respect of goods and services provided during the year, excluding value added tax.

	1994 £000	1993 £000
United Kingdom	24,252	16,546
Europe	20,931	17,034
North America	1,773	2,099
South America	2,749	2,183
Asia	41	-
Australia	10	22
	<hr/> 49,756	<hr/> 37,884

The directors consider that the company operates in one business segment.

# ND Marston Limited

## Notes (continued)

### 3 Loss on ordinary activities before taxation

	1994 £000	1993 £000
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Auditors' remuneration		
Audit	31	32
Other services	5	10
Depreciation of tangible fixed assets:		
Owned	2,425	2,210
Leased	1,206	769
Hire of plant and machinery	70	153
Directors' emoluments:		
As executives	416	367
Pensions	24	30
Bank interest payable	564	771
Finance lease interest payable	622	553
Loss on sale of fixed assets	120	11
Capital grants amortised	(86)	(42)
Interest receivable	(41)	(5)

# ND Marston Limited

## Notes (continued)

### 4 Taxation

	1994 £000	1993 £000
Adjustments relating to an earlier year:		
Group relief	110	-
	<u>110</u>	<u>-</u>

### 5 Remuneration of directors

The emoluments, excluding pension contributions, of the chairman were £nil (1993:£nil) and those of the highest paid director were £61,310 (1993:£67,200).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

The retiring president received a lump sum of £133,000 on retirement from the company.

	Number of directors	
	1994	1993
£0 - £5,000	3	3
£10,001 - £15,000	-	1
£15,001 - £20,000	1	-
£30,001 - £35,000	-	1
£35,001 - £40,000	1	2
£40,001 - £45,000	1	3
£45,001 - £50,000	2	1
£50,001 - £55,000	2	-
£55,001 - £60,000	1	-
£60,001 - £65,000	1	-
£65,001 - £70,000	-	1

# ND Marston Limited

## Notes *(continued)*

### 6 Staff numbers and costs

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

Number of employees	
1994	1993
Number	Number
920	870

The aggregate payroll costs of these persons were as follows:

	1994	1993
	£000	£000
Wages and salaries	13,596	11,174
Social security costs	855	900
Other pension costs	836	322
	<u>15,287</u>	<u>12,396</u>

# ND Marston Limited

## Notes (continued)

### 7 Tangible fixed assets

	Total	Land and buildings Freehold Property	Long Leasehold	Plant and machinery	Payments on account and assets in the course of construction
	£000	£000	£000	£000	£000
<i>Cost and valuation</i>					
At beginning of year	45,246	7,163	5,018	31,923	1,142
Additions	2,800	134	-	2,133	533
Transfers	-	37	-	1,105	(1,142)
Disposals	(1,493)	(3)	-	(1,490)	-
At end of year	46,553	7,331	5,018	33,671	533
<i>Depreciation</i>					
At beginning of year	15,075	389	357	14,329	-
Charge for year	3,631	150	57	3,424	-
On disposals	(1,304)	(1)	-	(1,303)	-
Transfer	-	1	-	(1)	-
At end of year	17,402	539	414	16,449	-
<i>Net book value</i>					
At 31 December 1994	29,151	6,792	4,604	17,222	533
At 31 December 1993	30,171	6,774	4,661	17,594	1,142

The cost or valuation of depreciable assets is £44,365,000 (1993: £43,591,000).

Included in the total net book value of plant and machinery is £6,876,000 (1993: £8,082,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £1,206,000 (1993: £769,000).



# ND Marston Limited

## Notes (continued)

### 8 Fixed asset investments

	1994 £000	1993 £000
Shareholdings in subsidiary undertakings	20	20
Loans to a subsidiary undertaking	43	43
	<hr/> 63	<hr/> 63

The shareholdings in subsidiary undertakings are as follows:

	Class of share	Proportion held by ND Marston Limited
ND Marston (USA) Inc.	Ordinary	100%
ND Marston (Deutschland) GmbH	Ordinary	100%

ND Marston (USA) Inc., is a wholly owned subsidiary undertaking incorporated in the U.S.A., and based in Southfield, Michigan. It was established to provide technical and commercial support to the company's marketing effort in North America.

ND Marston (Deutschland) GmbH is a wholly owned subsidiary undertaking incorporated in Germany. It was established during 1991 to provide support to the company's marketing in Germany.

### 9 Stocks

	1994 £000	1993 £000
Raw materials and consumables	2,188	1,545
Work in progress	920	1,045
Finished goods	929	1,168
	<hr/> 4,037	<hr/> 3,758

# ND Marston Limited

## Notes (continued)

### 10 Debtors

	1994 £000	1993 £000
Trade debtors	8,209	4,965
Other debtors	189	125
Prepayments and accrued income	471	923
Amounts owed by group undertakings	1,077	746
Tooling debtor	4,188	3,584
	<u>14,134</u>	<u>10,343</u>

Of the tooling debtor £1,836,000 (1993: £2,828,000) is due in more than one year.

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

	1994 £000	1993 £000
Bank loans and overdrafts	157	-
Obligations under finance leases and hire purchase contracts	1,113	950
Trade creditors	7,344	5,106
Bills of exchange payable	4,000	11,500
Amounts owed to group undertakings	5,898	1,939
Other creditors including taxation and social security:		
Social security	769	627
Other creditors	173	-
Accruals and deferred income	753	700
	<u>20,207</u>	<u>20,822</u>

# ND Marston Limited

## Notes (continued)

### 12 Creditors: amounts falling due after more than one year

	1994 £000	1993 £000
Obligations under finance leases and hire purchase contracts	5,215	6,328
Deferred income	252	204
	<u>5,467</u>	<u>6,532</u>

The maturity of net obligations under finance leases and hire purchase contracts is as follows:

	1994 £'000	1993 £'000
Between one and two years	1,294	1,113
Between two and five years	3,921	4,506
After five years	-	709
	<u>5,215</u>	<u>6,328</u>

### 13 Provisions for liabilities and charges

The full potential liability for deferred taxation is as follows:

	1994 Full potential liability £000	1993 Full potential liability £000
Difference between accumulated depreciation and amortisation and capital allowances	1,441	1,761
Other timing differences	(49)	251
Less trading losses	(1,392)	(2,012)
	<u>-</u>	<u>-</u>

In addition to the above, trading losses amounting to £10,384,000 (1993: £7,784,000) are available for relief against future profits from the same trade.

# ND Marston Limited

## Notes (continued)

### 14 Called up share capital

	1994 £000	1993 £000
<i>Authorised</i>		
Ordinary shares of £1 each	<u>30,000</u>	<u>25,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each		
A shares	21,600	16,350
B shares	<u>7,200</u>	<u>5,450</u>
	<u>28,800</u>	<u>21,800</u>

5,250,000 ordinary 'A' shares of £1 each and 1,750,000 ordinary 'B' shares of £1 each were issued during the year at par to meet expected investment in 1994 and 1995. Consideration of £7,000,000 has been received by ND Marston Limited.

### 15 Reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At beginning of year	10,135	7	(13,611)
Retained loss for the year	<u>-</u>	<u>-</u>	<u>(3,251)</u>
At end of year	<u>10,135</u>	<u>7</u>	<u>(16,862)</u>

# ND Marston Limited

## Notes (continued)

### 16 Reconciliation of movements in shareholders' funds

	1994 £000	1993 £000
Retained loss for the year	(3,251)	(4,283)
Issue of share capital	7,000	2,800
	<hr/>	<hr/>
Opening shareholders' funds	3,749 18,331	(1,483) 19,814
	<hr/>	<hr/>
Closing shareholders' funds	22,080	18,331
	<hr/>	<hr/>

### 17 Commitments

Capital commitments at the end of the financial year for which no provision has been made.

	1994 £000	1993 £000
Contracted	1,407	1,295
Authorised but not contracted	2,244	1,160
	<hr/>	<hr/>

### 18 Contingent liabilities

Contingent liabilities unprovided at the balance sheet date amounted to £500,000 (1993: £300,000) in respect of bank guarantees and £30,000 (1993: £155,000) in respect of bills discounted.

### 19 Leasing commitments

Operating lease rentals due within the next year are payable as follows:

	1994 £000	1993 £000
Contracts expiring:		
Within one year	19	64
In the second to fifth years	334	397
	<hr/>	<hr/>

# ND Marston Limited

## Notes (continued)

### 20 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	1994 £000	1993 £000
Operating loss	(1,996)	(2,964)
Depreciation charge	3,631	2,979
Loss on sale of tangible fixed assets	120	11
(Increase)/decrease in stocks	(279)	13
Increase in debtors	(3,901)	(2,147)
Increase in creditors	6,627	1,313
Grant amortisation	(86)	(42)
Net cash inflow/(outflow) from operating activities	<u>4,116</u>	<u>(837)</u>

### 21 Analysis of changes in cash and cash equivalents

	Cash £'000	Overdraft £'000	Bills of exchange £'000	Net £'000
Balance at 1 January 1993	95	(1,362)	(7,500)	(8,767)
Net cash inflow/(outflow)	<u>1,255</u>	<u>1,362</u>	<u>(4,000)</u>	<u>(1,383)</u>
Balance at 31 December 1993	1,350	-	(11,500)	(10,150)
Net cash inflow/(outflow)	<u>(981)</u>	<u>(157)</u>	<u>7,500</u>	<u>6,362</u>
Balance at 31 December 1994	<u>369</u>	<u>(157)</u>	<u>(4,000)</u>	<u>(3,788)</u>

# ND Marston Limited

## Notes (continued)

### 22 Analysis of changes in financing during the year

	Share capital (including premium) £'000	Finance lease obligations £'000
Balance at 1 January 1993	29,135	5,049
Cash inflow from financing	2,800	-
Inception of finance lease contracts	-	3,299
Capital element of finance lease rental payments	-	(1,070)
Balance at 31 December 1994	31,935	7,278
Cash inflow from financing	7,000	-
Capital element of finance lease rental payments	-	(950)
Balance at 31 December 1994	<u>38,935</u>	<u>6,328</u>

### 23 Pension costs

The Scheme operated by the Company is of the funded defined benefit type. The assets of the Scheme are held separately from the company and are administered by the Scheme's trustees.

Contributions are paid to the Scheme after taking actuarial advice and with the objective of maintaining the Scheme's solvency. In any one year differences may arise between the accounting pension cost and the rate of company contribution.

The pension costs and prepayment for the current year have been determined in accordance with the advice of an independent professionally qualified actuary using the Projected Unit method based on a review of the Scheme's finances as at 6 April 1994. The principal assumptions adopted were as follows:

#### Rate in excess of Price Inflation % per annum compound

• Future investment return	5.0
• Future salary inflation	2.0
• Future pensions increases in payment	nil
• Future equity dividend growth	1.0

At the date of the review the market value of the Scheme's assets was £20.0m. The actuarial value of these assets represented 114% of the accrued liabilities calculated on an ongoing basis making full allowance for future increases in salaries.

The accounting policy is to recognise the cost of the Scheme's benefits systematically and rationally over the expected future service lives of the Scheme's members. Any surplus in the Scheme (net of any balance sheet prepayment) is being spread as a variation from regular cost using a level percentage of payroll method.

# ND Marston Limited

## Notes *(continued)*

### 23 Pension costs *(continued)*

The pension cost for the year to 31 December 1994 was £836,000 (1993: £322,000). The increase is a result of the actuarial valuation in the year.

At the end of the current period an amount of £217,000 (1993: £799,000) is shown in debtors representing the cumulative excess of amounts paid to the Scheme over the amounts charged to profit.

### 24 Ultimate parent company and parent undertaking of larger group of which the company is a member

The ultimate parent company is Nippondenso Co Limited incorporated in Japan.

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