

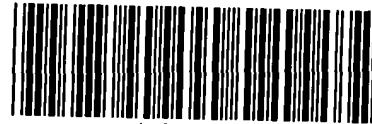
**Company Registration Number: 00305275**

**Denso Marston Ltd**

**Annual report and financial statements**

**for the year ended 31 March 2023**

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# **Denso Marston Ltd**

## **Annual Report and Financial Statements For the year ended 31 March 2023**

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# **Denso Marston Ltd**

## **Annual Report and Financial Statements For the year ended 31 March 2023**

### **Officers and Professional Advisers**

#### **Directors**

V Verma  
H Takahashi  
S Tateiwa

#### **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

Mizuho Bank, Ltd  
Mizuho House  
30 Old Bailey  
London  
EC4M 7AU

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
1 City Square  
Leeds  
LS1 2AL  
United Kingdom

# Denso Marston Ltd

## Strategic report

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

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 Europe International B.V., which is the primary reporting line.

### Review of the business and key performance indicators

Turnover for the year showed a 23% increase from £98.7m to £121.7m, reflecting market conditions. The Agriculture sector continues to be the largest in value at £58m (48%), followed by Construction at £32m (27%) and Power generation at £30m (24%). (See note 3 to the financial statements).

Net assets (see Balance Sheet on page 13) have increased by £3.6m (2022: £0.5m decrease). The primary reason is increased investment in fixed assets.

Discussion of KPIs of the division is made in the financial statements of DENSO Corporation which are publicly available. Details of where these can be obtained are included in note 20.

### Future developments

The Company continues to invest strongly in new technology, in research and development activities, and in its employees, with the intention of positioning the company at the forefront of product and process technology innovation.

### 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 (2022: 59%) and the Americas with 33% (2022: 34%). The directors feel that the Company has a good balance of sales and profit between its main three market sectors.

*BREXIT* - The withdrawal of the United Kingdom from the European Union on 31 January 2020 does not appear to have had any long term detrimental effect on the company's business or profitability.

*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 foreign 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.

*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 company.

### Statement on Business Relations

#### Section 172 Statement

As a Board we acknowledge the importance of active engagement with all stakeholders and we continually strive to interact with and inform them.

When making decisions for the long-term future of the company and for the benefit of its members, the Directors and senior management team take care to ensure that the consequences, both short term and long term, are fully considered for each of the different stakeholder groups.

#### Stakeholder Engagement

We recognise a wide range of key stakeholders, including associates, customers, suppliers, the local community, our ultimate parent company in Japan, and the intermediate holding company in Europe, to which we report on a day-to-day basis. The Directors and senior management team strive to balance the needs of all these groups, and where such needs occasionally conflict, to act fairly and consistently.

# Denso Marston Ltd

## Strategic report (continued)

We take feedback from our associates and strive to engage in quality two-way communications with them. We work closely with all our key suppliers and customers, to ensure clarity of purpose and fairness in our commercial dealings, maintaining the highest ethical standards

### *Our People*

We recognise the benefits of training and developing our associates, both for their own motivation and advancement, and also for the benefit of the other stakeholders with whom they interact.

Communication takes place via multiple channels. We hold regular meetings to exchange information with the line managers, and through that channel we brief all levels of associate with business updates and matters affecting them. We maintain electronic information boards at numerous locations throughout the business and update the content frequently. Content includes health and safety, quality matters, social events organised by the staff Sports and Social club, DENSO Ideas scheme which gathers suggestions for improvement from associates, and any key updates. We operate a scheme called DENSO SHINE which provides a platform for associates to recognise special efforts by their colleagues and also provides access to many attractive benefits and retail discounts.

Our mission is to provide a safe and pleasant working environment for all our associates.

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.

### *Our Suppliers*

We engage with our suppliers through regular strategic meetings and quality audits, and measure supplier quality and performance to drive continuous improvement. Supplier performance in terms of both quality and delivery is a fixed agenda item at our monthly meeting of the senior management team.

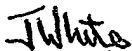
### *Our Customers*

Our customer base is of the highest quality and has been very stable for many years. Our associates at all levels interact with the customer on a regular basis and we recognise that customer service and quality will be the foundation of our continuing success.

### *Our Community*

The company's main location has been in Shipley for several decades and there are many links with the local community. We support local charities in various ways, organising events and collecting charitable donations. One of our most significant contributions is the provision of the Denso Marston Nature Reserve which was created in 1991 on a seven acre site between our factory and the nearby River Aire. We employ a full time warden who enthusiastically engages with local schools and the community, running events and clubs. The Friends of Denso Marston Nature Reserve hold their management meetings in our offices and we participate and support them.

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



J White

Company Secretary  
19<sup>th</sup> December 2023

# Denso Marston Ltd

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2023.

### 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 amount of dividends paid in the year, in respect of prior year results, was £2,782,000 being 185p per ordinary share (2022: £3,689,000 being 246p per ordinary share). The Directors have also proposed a dividend in respect of this year's result of £3,586,000 being 239p per ordinary share, which is subject to approval by shareholders at the Annual General Meeting and which has not been included as a liability in these financial statements. The retained profit, before dividends, for the financial year of £6,366,000 (2022: £3,185,000) has been transferred to reserves.

### Directors

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

V Verma  
H Takahashi  
S Tateiwa

M Di Rao Marotta (resigned 1 January 2023)  
A Hasegawa (resigned 1 January 2023)

### Director's indemnities

DENSO Corporation has made qualifying third party indemnity provisions for the benefit of its directors which were in force throughout the year and remain so at the date of this report.

### 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.

Details of support for disabled employees can be found in the strategic report on page 3 which forms part of this report by cross reference.

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.

## Directors' report (continued)

### Energy Use and Carbon Emissions

The unparalleled risks posed by climate change are considered a significant threat by DENSO, to both their operation and society. The Company's environmental CSR strategy continues to be a foremost consideration. The Company continues to target environmental factors with demanding targets being established. A team has been mobilised to drive the Company's CO2 emissions to a level of zero. The carbon neutrality team are investigating emerging fuels and technologies that the Company can implement to achieve this net-zero emission target.

### Energy Reduction Activities

The Company continues to maintain its accredited environmental management system (ISO 14001, held since 2004). The Company also proudly maintains its zero-landfill status, which it achieved initially back in 2008. Through this framework, the Company ensures that waste from manufacturing processes is separated and recycled. The Company has further expanded its Electric Vehicle (EV) charging stations on-site whilst investing in EV product development, working with the wider DENSO group.

Throughout the year, the Company worked to reduce energy consumption through projects identified from machine-level submetering analysis. This data drove energy projects undertaken in the Fiscal year. Several major projects have now been implemented that mainly focus on furnace utilisation and efficiencies, and have reduced our CO2 footprint. Future projects include:

- Identification and repair of compressed air leaks using ultrasonic detection.
- F7 - reduce amount of extracted air from degreaser entering the afterburner.
- Run furnace fully loaded for 3 days
- F7, Fit new butterfly valve on degreaser.
- Change NB2 furnace belt program to stop belt when there is no production so there is no waste heat from belt heating and cooling cycle.

### Carbon Emissions Data

Energy consumed by the Company's operations has been summarised below, slightly increased usage from prior year.

DAILY OPERATIONS	2023			2022		
	Electricity	Gas	Total	Electricity	Gas	Total
Annual Consumption (Kwh) <sup>a</sup>	12,952,890	48,831,984	61,784,874	12,438,192	47,882,692	60,320,884
Annual Consumption CO <sub>2</sub> Equivalent (t) <sup>b</sup>	7,331	9,664	16,995	7,040	9,476	16,516
Energy used per kg Aluminium (kW/kg) <sup>c</sup>	1.90	7.17	9.08	1.89	7.28	9.17

- a) Electricity and gas consumption data have been summarised by utilising half-hourly consumption readings from the Company's incoming utility meters.
- b) CO<sub>2</sub> tonnage equivalents have been calculated using the UK Government's Greenhouse Gas Reporting Conversion Factors for Company Reporting for 2022.
- c) Energy used per kilogram of Aluminium consumed is a well-established metric within the DENSO group to measure energy efficiency.

# Denso Marston Ltd

## Directors' report (continued)

### Going concern

The Directors believe that Denso Marston Ltd will have sufficient cash and borrowing facilities for at least the next 12 months from the date of signing this report. 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. In forming this judgement, the directors have considered a downside scenario of sales 15% lower than forecast. 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 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.

### Post Balance Sheet Events

Dividend declared of £3,586,000, to be paid in March 2024.

### 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  
19<sup>th</sup> December 2023

# **Denso Marston Ltd**

## **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), including 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**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of Denso Marston Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

# Independent Auditor's Report to The Members Of Denso Marston Ltd

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

We have nothing to report in this regard.

## Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

## **Independent Auditor's Report to The Members Of Denso Marston Ltd**

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- We identified a significant risk in relation to revenue cut-off and therefore reviewed the sales process and examined terms and conditions of sales for a sample of sales transactions before and after the year-end.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 or the directors' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

# Independent Auditor's Report to The Members Of Denso Marston Ltd

## Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Lewis FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

19<sup>th</sup> December 2023

# Denso Marston Ltd

## Statement of comprehensive income For the year ended 31 March 2022

		2023 £'000	2022 £'000
	Note		
Turnover	3	121,736	98,680
Cost of sales		(106,482)	(88,044)
<b>Gross profit</b>		<b>15,254</b>	<b>10,636</b>
Distribution costs		(792)	(702)
Administrative expenses		(6,080)	(6,320)
<b>Operating profit</b>	5	<b>8,382</b>	<b>3,614</b>
Other income		195	-
Interest payable and similar expenses	6	(497)	(78)
<b>Profit before taxation</b>		<b>8,080</b>	<b>3,536</b>
Tax on profit	7	(1,714)	(351)
<b>Profit for the financial year transferred to reserves</b>		<b>6,366</b>	<b>3,185</b>

There was no other comprehensive income or expenses during the current or prior year besides the profit for the financial year. All amounts related to continuing operations.

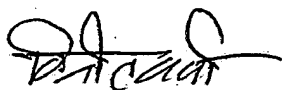
# Denso Marston Ltd

## Balance sheet As at 31 March 2023

	Note	2023 £'000	2022 £'000
<b>Fixed assets</b>			
Tangible assets	8	<u>35,457</u>	<u>30,983</u>
<b>Current assets</b>			
Stocks	9	13,228	12,798
Debtors due within one year	10	31,955	29,641
Debtors due after more than one year	10	-	857
Cash at bank and in hand		149	617
		<u>45,332</u>	<u>43,913</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(42,014)</u>	<u>(40,003)</u>
<b>Net current assets</b>		<u>3,318</u>	<u>3,910</u>
<b>Total assets less current liabilities</b>		<u>38,775</u>	<u>34,893</u>
<b>Provisions for liabilities</b>	12	<u>(398)</u>	<u>(100)</u>
<b>Net assets</b>		<u>38,377</u>	<u>34,793</u>
<b>Capital and reserves</b>			
Called up share capital	13	1,500	1,500
Profit and loss account		<u>36,877</u>	<u>33,293</u>
<b>Shareholder's funds</b>		<u>38,377</u>	<u>34,793</u>

These financial statements of Denso Marston Ltd, company number 00305275, were approved by the Board of Directors and authorised for issue on 19<sup>th</sup> December 2023.

Signed on behalf of the Board of Directors



V Verma  
Director

# Denso Marston Ltd

## Statement of changes in equity As at 31 March 2023

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2021	1,500	33,798	35,298
Profit for the financial year and total comprehensive income	-	3,185	3,185
Dividends paid (Note 18)	-	(3,689)	(3,689)
At 31 March 2022	<u>1,500</u>	<u>33,293</u>	<u>34,793</u>
Profit for the financial year and total comprehensive income	-	6,366	6,366
Dividends paid (Note 18)	-	(2,782)	(2,782)
At 31 March 2023	<u>1,500</u>	<u>36,877</u>	<u>38,377</u>

All the above results derive from continuing operations

# Denso Marston Ltd

## Notes to the financial statements For the year ended 31 March 2023

### 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, being at least 12 months from the date of approval of these financial statements. In forming this view the Directors have considered the Company's budgets and trading forecasts and the committed bank facilities with the Group available to the Company together with forecast headroom against those borrowing facilities including the impact of reasonable sensitivities. In forming this judgement, the directors have considered a downside scenario of sales 15% lower than forecast. 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. 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 2006. 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 4.

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 ultimate parent, DENSO Corporation, 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 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.

Tangible fixed assets are reviewed annually for evidence of impairment. A provision for impairment is made if the carrying amount of an asset is considered to exceed its recoverable amount, and an impairment loss equivalent to the difference between carrying amount and recoverable amount is recognised in full.

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

Purchases of process tooling are included in tangible fixed assets, within plant and machinery.

#### Research and development

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

**Notes to the financial statements (continued)  
For the year ended 31 March 2023**

**1. Accounting Policies (continued)**

**Stocks**

Stocks and work-in-progress are stated at the lower of cost and net realisable value, calculated on the First In First Out basis. 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, 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.

**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 statement of comprehensive income as they arise.

**Notes to the financial statements (continued)  
For the year ended 31 March 2023**

**1. Accounting Policies (continued)**

**Turnover**

Turnover consists of sales to third parties net of discounts and excluding value added tax. Sales are recognised at the point when title passes to customers in the normal course of business.

**Operating leases**

Leases and the rentals are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

**Pension costs**

For defined contribution schemes the amount charged to the statement of comprehensive income 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.

**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.

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**

In the opinion of the directors, there are no critical judgements requiring explanation.

**Key sources of estimation uncertainty**

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

# Denso Marston Ltd

## Notes to the financial statements (continued) For the year ended 31 March 2023

### 3. Turnover

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

Turnover by destination is as follows:

	2023 £'000	2022 £'000
United Kingdom	41,656	32,785
Rest of Europe	33,622	25,027
The Americas	39,920	33,891
Asia	6,538	6,977
	<u>121,736</u>	<u>98,680</u>

Turnover by market sector is as follows:

	2023 £'000	2022 £'000
Agriculture	57,951	46,223
Construction	32,491	29,330
Power generation	29,523	22,423
Other	1,771	704
	<u>121,736</u>	<u>98,680</u>

### 4. Information regarding directors and employees

	2023 £'000	2022 £'000
Directors' emoluments (excluding pensions)	187	156
Directors' pensions	15	12
Total	<u>202</u>	<u>168</u>

One director received emoluments from the Company (2022: One).

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

	2023 No.	2022 No.
Monthly average number of persons employed		
Production	753	672
Admin & Sales	120	118
	<u>873</u>	<u>790</u>

# Denso Marston Ltd

## Notes to the financial statements (continued) For the year ended 31 March 2023

	£'000	£'000
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	26,953	23,708
Social security costs	2,015	1,802
Pension costs	1,592	1,485
	<u>30,560</u>	<u>26,995</u>

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

# Denso Marston Ltd

## Notes to the financial statements (continued) For the year ended 31 March 2023

### 5. Operating profit

	2023 £'000	2022 £'000
<b>Operating profit is stated after charging/(crediting):</b>		
Depreciation of owned tangible fixed assets (Note 8)	4,871	4,632
Profit on sale of fixed assets	(9)	-
Impairment of fixed assets	-	34
Impairment of stock recognised as an (income)/expense	(133)	(13)
Research and development costs	222	202
Hire of plant and machinery under operating leases	388	346
Foreign exchange loss	620	894
	<u>          </u>	<u>          </u>
<b>Auditor's remuneration:</b>		
Fees payable to the Company's auditor for the audit of the Company's financial statements	71	66
	<u>          </u>	<u>          </u>
<b>Total audit fees</b>	<u>          </u>	<u>          </u>
	71	66
	<u>          </u>	<u>          </u>
Tax services	16	16
Other services	1	-
	<u>          </u>	<u>          </u>
<b>Total non-audit fees</b>	<u>          </u>	<u>          </u>
	17	16

### 6. Interest payable and similar charges

	2023 £'000	2022 £'000
Amounts payable on Group loan	496	79
	<u>          </u>	<u>          </u>
<b>Total</b>	<u>          </u>	<u>          </u>
	496	79

# Denso Marston Ltd

## Notes to the financial statements (continued) For the year ended 31 March 2023

### 7. Tax on profit

The tax charge for the current year is £1,714,123 (2022: £350,610). The Company has tax losses carried forward for relief against future trading profits amounting to £1,029,685 once tax effected. (2022: £1,116,769). A deferred tax asset has been recognised relating to losses and capital allowances (Note 10). At 31 March 2022 the unrecognised net deferred tax asset was £nil (2022: £nil).

	2023 £'000	2022 £'000
<b>Current tax</b>		
UK corporation tax at 19% (2022: 19%)		
Adjustment in respect of previous periods	459	(100)
<b>Total current tax</b>	<u>459</u>	<u>(100)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,060	501
Adjustment in respect of previous periods	(140)	155
Effect of change in tax rate	335	(205)
<b>Total deferred tax</b>	<u>1,255</u>	<u>451</u>
<b>Tax on profit</b>	<u>1,714</u>	<u>351</u>

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

# Denso Marston Ltd

## Notes to the financial statements (continued) For the year ended 31 March 2023

	2023 £'000	2022 £'000
Profit before tax	8,080	3,536
Tax on profit of the standard UK corporation tax rate of 19% (2022: 19%)	1,535	672
Effect of:		
Expenses not deductible for tax purposes	58	122
Income not taxable for tax purposes	(533)	(357)
Effect of overseas tax rates	-	-
Adjustment from previous periods	319	(45)
Tax rate changes	335	(205)
Corporation tax withheld on RDEC not recognised	-	164
Deferred tax previously not recognised	-	-
<b>Total tax charge for the year</b>	<b>1,714</b>	<b>351</b>

	2023 Provided £'000	2023 Unprovided £'000	2022 Provided £'000	2022 Unprovided £'000
<b>Deferred taxation and short term timing differences</b>				
Capital allowances in excess of depreciation	(1,416)	-	(328)	-
Losses	1,030	-	1,117	-
Other timing differences	(12)	-	67	-
	<b>(398)</b>	<b>-</b>	<b>856</b>	<b>-</b>

### 7. Tax on profit (continued)

#### Factors that may affect future tax charges

Corporation tax is calculated at 19% (2022: 19.0%) of the estimated assessable profit for the year. The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate was substantively enacted on 24 May 2021 and hence at the balance sheet date, therefore consideration of deferred tax balances has been undertaken given the rise from 19% to 25% from 1 April 2023. Deferred tax balances at the year-end have been measured at 25%.

### 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 2022	18,320	4,500	92,957	5,063	120,840
Additions	0	-	-	9,352	9,352
Transfers	790	-	5,663	(6,453)	-
Disposals	(12)	-	(2,096)	0	(2,108)
<b>31 March 2023</b>	<b>19,098</b>	<b>4,500</b>	<b>96,524</b>	<b>7,962</b>	<b>128,084</b>

# Denso Marston Ltd

## Notes to the financial statements (continued) For the year ended 31 March 2023

<b>Depreciation</b>					
1 April 2022	8,921	1,465	79,471	-	89,857
Charge for year	689	45	4,137	-	4,871
Disposals	(5)	-	(2,096)	-	(2,101)
	<u>9,605</u>	<u>1,510</u>	<u>81,512</u>	<u>-</u>	<u>92,627</u>
<b>Net book value</b>					
At 31 March 2023	<u>9,493</u>	<u>2,990</u>	<u>15,012</u>	<u>7,962</u>	<u>35,457</u>
At 31 March 2022	<u>9,399</u>	<u>3,035</u>	<u>13,486</u>	<u>5,063</u>	<u>30,983</u>

There were no impairments in the year, following a review of all assets with a book value exceeding £20,000, considering their estimated remaining useful life and economic value to the business.

Included in freehold land and buildings is land at a cost of £1,650,505 (2022: £1,650,505) which is not depreciated.

### 9. Stocks

	2023 £'000	2022 £'000
Raw materials and consumables	9,469	7,933
Work-in-progress	3,265	2,568
Finished goods	494	2,297
	<u>13,228</u>	<u>12,798</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 2023

### 10. Debtors

	2023 £'000	2022 £'000
Trade debtors	22,426	21,498
Amounts owed by Group undertakings	5,917	5,223
Taxation and social security	834	723
Other debtors	24	31
Prepayments and accrued income	1,736	1,641
Corporation tax debtor	1,018	525
Amounts due within one year	31,955	29,641
Amount due after one year:		
Deferred tax asset (Note 7)	-	856
	<u>31,955</u>	<u>30,497</u>

The amounts owed by Group undertakings are normal trading balances repayable on demand, not subject to interest charges, and do not include any loans.

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

	2023 £'000	2022 £'000
Trade creditors	6,239	5,769
Amounts owed to Parent	26,949	26,355
Amounts owed to Group undertakings	423	556
Taxation and social security	462	500
Other accruals	7,940	6,823
	<u>42,013</u>	<u>40,003</u>

The amounts owed to Parent include £26,552,000 (2022: £26,104,000) of Group loans that are unsecured and repayable on demand. Interest is payable at the rate of SONIA plus 0.26%. The remaining balance owed to Parent and to other Group undertakings represents normal trading balances repayable on demand and not subject to interest charges.

# Denso Marston Ltd

## Notes to the financial statements (continued) For the year ended 31 March 2023

### 12. Provisions for liabilities

	2023 £'000	2022 £'000
Product warranties	-	100
Deferred tax liability	398	-
	<u>398</u>	<u>100</u>

	Product warranties £'000
At 1 April 2022	100
Utilised	(100)
At 31 March 2023	<u>-</u>

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 potentially crystallise into claims in the next two to three years. While there is some uncertainty over the specific timing of when the claims would be settled, the quantum of the final settlement represents the Directors' best estimate of the costs expected to be incurred.

### 13. Called up share capital

	2023 £'000	2022 £'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>

The profit and loss reserve represents cumulative profit or losses net of dividends paid.

### 14. Commitments

Capital commitments at the end of the financial year, relating to property, plant and equipment, for which no provision has been made, are as follows:

	2023 £'000	2022 £'000
Contracted for but not provided for	<u>3,676</u>	<u>5,146</u>

### 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 (2022: £600,000).

# Denso Marston Ltd

## Notes to the financial statements (continued) For the year ended 31 March 2023

### 16. Operating lease commitments

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

	Plant and machinery	
	2023	2022
	£'000	£'000
Contracts expiring:		
Within one year	280	276
Between one and five years	597	734
After five years	-	33
	<u>877</u>	<u>1,043</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 £1,591,497 (2022: £1,485,063). As at 31 March 2023, contributions of £nil (2022: £nil) due in respect of the current reporting period had not been paid over to the scheme.

### 18. Dividends on equity shares

	2023	2022
	£'000	£'000
Dividends paid in the year	<u>2,782</u>	<u>3,689</u>

The dividend paid in the year was £2,782,000 being 185 per ordinary share (2022: £3,689,000 being 246p per ordinary share).

### 19. Related parties

As a subsidiary company of its 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 Europe International B.V., a company incorporated in the Netherlands. The ultimate parent company and controlling entity is DENSO Corporation, a company incorporated in Japan.

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.