

Company Registration Number: 00305275

Denso Marston Ltd

Annual report and financial statements

for the year ended 31 March 2022



Denso Marston Ltd

**Annual Report and Financial Statements
For the year ended 31 March 2022**

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Denso Marston Ltd

Annual Report and Financial Statements For the year ended 31 March 2022

Officers and Professional Advisers

Directors

V Verma
H Takahashi
S Tateiwa

Company Secretary

J White

Registered office

Marston House
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West Yorkshire
BD17 7JR

Bankers

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Citibank
Citibank Centre
Canada Square
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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 2022.

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 32% increase from £74.7m to £98.7m, reflecting market conditions following the bounce back from the impact of COVID-19. The Agriculture sector continues to be the largest in value at £46m (47%), followed by Construction at £29m (30%) and Power generation at £22m (23%). (See note 3 to the financial statements).

Net assets (see Balance Sheet on page 13) have reduced by £0.5m (2021: £1.3m increase). The primary reason is increased trading resulting in higher working capital requirements.

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 59% of sales (2021: 61%) and the Americas with 34% (2021: 32%). 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.

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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
20th February 2023

Denso Marston Ltd

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2022.

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 £3,689,000 being 246p per ordinary share (2021: £2,340,000 being 156p per ordinary share). The Directors have also proposed a dividend in respect of this year's result of £2,782,000 being 185p 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 £3,185,000 (2021: £3,689,000) has been transferred to reserves.

Directors

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

V Verma

M Di Rao Marotta (resigned 1 January 2023)

A Hasegawa (resigned 1 January 2023)

H Takahashi (appointed 1 January 2023)

S Tateiwa (appointed 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.

Denso Marston Ltd

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.

There is a noticeable increase in the CO₂ generated within the Company. This increase relates to the introduction of an electrical generation process that uses natural gas as fuel. The Combined Heat and Power (CHP) unit increased the natural gas demand whilst reducing the reliance on grid electricity. Due to the CO₂ generated by natural gas being higher than that of electricity, the site saw a consequent increase in the CO₂ output.

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 is continuing to expand 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. A 3-year project commenced to convert all site lighting from fluorescent to LED. This is now in the final phase and a significant reduction in the site's CO₂ generation will be seen. Future projects include:

- Identification and repair of compressed air leaks using ultrasonic detection
- 2.4mw solar array installation to provide 12% of electricity purchased from the grid
- Utilise waste heat from CHP to provide heating for factory and air knives, removal of gas heaters/burners
- Systematic conversion of furnace gas degreasers to electric de-oilers as specified in CO₂ neutral plan

Carbon Emissions Data

Energy consumed by the Company's operations has been summarised below, significant increase due to site running 24/7.

DAILY OPERATIONS	2022			2021		
	Electricity	Gas	Total	Electricity	Gas	Total
Annual Consumption (Kwh) ^a	12,438,192	47,882,692	60,320,884	10,358,621	37,720,096	48,078,717
Annual Consumption CO ₂ Equivalent (t) ^b	7,040	9,476	16,516	2,050	7,465	9,515
Energy used per kg Aluminium (kW/kg) ^c	1.89	7.28	9.17	1.88	6.86	8.74

- Electricity and gas consumption data have been summarised by utilising half-hourly consumption readings from the Company's incoming utility meters.
- CO₂ tonnage equivalents have been calculated using the UK Government's Greenhouse Gas Reporting Conversion Factors for Company Reporting for 2021.
- Energy used per kilogram of Aluminium consumed is a well-established metric within the DENSO group to measure energy efficiency.

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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

There are no post balance sheet events to report.

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
20th February 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 2022 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 (continued)

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. 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 about their own identification and assessment of the risks of irregularities.

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 and tax and pension 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.

Independent Auditor's Report to The Members Of Denso Marston Ltd (continued)

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.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it is 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 external 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 (continued)

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 ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

20th February 2023

Denso Marston Ltd

Statement of comprehensive income For the year ended 31 March 2022

		2022 £'000	2021 £'000
	Note		
Turnover	3	98,680	74,719
Cost of sales		(88,044)	(67,003)
Gross profit		10,636	7,716
Distribution costs		(702)	(614)
Administrative expenses		(6,320)	(5,161)
Coronavirus Job Retention Scheme grant		-	1,798
Operating profit	5	3,614	3,739
Interest payable and similar expenses	6	(78)	(26)
Profit before taxation		3,536	3,713
Tax on profit	7	(351)	(24)
Profit for the financial year transferred to reserves		3,185	3,689

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

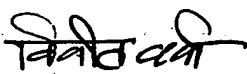
Denso Marston Ltd

Balance sheet As at 31 March 2022

		2022 £'000	2021 £'000
	Note		
Fixed assets			
Tangible assets	8	30,983	28,716
Current assets			
Stocks	9	12,798	9,293
Debtors due within one year	10	29,641	21,504
Debtors due after more than one year	10	857	1,143
Cash at bank and in hand		617	374
		43,913	32,314
Creditors: amounts falling due within one year	11	(40,003)	(25,575)
Net current assets		3,910	6,739
Total assets less current liabilities		34,893	35,455
Provisions for liabilities	12	(100)	(157)
Net assets		34,793	35,298
Capital and reserves			
Called up share capital	13	1,500	1,500
Profit and loss account		33,293	33,798
Shareholder's funds		34,793	35,298

These financial statements of Denso Marston Ltd, company number 00305275, were approved by the Board of Directors and authorised for issue on 20th February 2023.

Signed on behalf of the Board of Directors



V Verma
Director

Denso Marston Ltd

Statement of changes in equity As at 31 March 2022

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2020	1,500	32,449	33,949
Profit for the financial year and total comprehensive income	-	3,689	3,689
Dividends paid (Note 18)	-	(2,340)	(2,340)
At 31 March 2021	<u>1,500</u>	<u>33,798</u>	<u>35,298</u>
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>

All the above results derive from continuing operations

Denso Marston Ltd

Notes to the financial statements For the year ended 31 March 2022

1. Accounting Policies

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

Going concern

The Directors have considered the adoption of the going concern basis in preparing the financial statements given the current economic climate and have formed the conclusion that there are no material uncertainties with respect to the Company's ability to continue as a going concern for the foreseeable future. In forming this view the Directors have considered the Company's budgets and trading forecasts and the committed bank facilities available to the Company together with forecast headroom against those borrowing facilities including the impact of reasonable sensitivities. In forming this judgement, the directors have considered a downside scenario of sales 15% lower than forecast. 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.

Denso Marston Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

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.

Denso Marston Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

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.

Government grants

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

Financial instruments

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

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

Financial assets and liabilities

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

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

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

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

2. Critical accounting judgements and key sources of estimation uncertainty

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

Denso Marston Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

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.

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:

	2022 £'000	2021 £'000
United Kingdom	32,785	24,293
Rest of Europe	25,027	21,492
The Americas	33,891	24,079
Asia	6,977	4,855
	<u>98,680</u>	<u>74,719</u>

Turnover by market sector is as follows:

	2022 £'000	2021 £'000
Agriculture	46,223	37,125
Construction	29,330	20,184
Power generation	22,423	16,915
Other	704	495
	<u>98,680</u>	<u>74,719</u>

4. Information regarding directors and employees

	2022 £'000	2021 £'000
Directors' emoluments (excluding pensions)	156	146
Directors' pensions	12	16
Total	<u>168</u>	<u>162</u>

One director received emoluments from the Company (2021: Two).

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

Denso Marston Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

	2022	2021
	No.	No.
Monthly average number of persons employed		
Production	672	552
Admin & Sales	118	120
	<u>790</u>	<u>672</u>
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	23,708	19,771
Social security costs	1,802	1,604
Pension costs	1,485	1,396
	<u>26,995</u>	<u>22,771</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 2022**

5. Operating profit

	2022	2021
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets (Note 8)	4,632	4,940
Profit on sale of fixed assets	-	(5)
Impairment of fixed assets	34	46
Impairment of stock recognised as an (income)/expense	(13)	(35)
Research and development costs	202	194
Hire of plant and machinery under operating leases	346	378
Foreign exchange Loss/(gain)	894	(165)
Coronavirus Job Retention Scheme grant	-	(1,798)
Redundancy and restructuring costs	-	328
	<u> </u>	<u> </u>
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's financial statements	66	53
	<u> </u>	<u> </u>
Total audit fees	66	53
	<u> </u>	<u> </u>
Tax services	16	16
Other services	-	-
	<u> </u>	<u> </u>
Total non-audit fees	16	16
	<u> </u>	<u> </u>

6. Interest payable and similar charges

	2022	2021
	£'000	£'000
Amounts payable on Group loan	79	26
	<u> </u>	<u> </u>
Total	79	26
	<u> </u>	<u> </u>

Denso Marston Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

7. Tax on profit

The tax charge for the current year is £350,610 (2021: £24,233). The Company has £nil tax losses carried forward for relief against future trading profits (2021: £nil). A deferred tax asset has been recognised relating to capital allowances (Note 10). At 31 March 2022 the unrecognised net deferred tax asset was £nil (2021: £nil).

	2022 £'000	2021 £'000
Current tax		
UK corporation tax at 19% (2021: 19%)		100
Adjustment in respect of previous periods	(100)	
Foreign tax suffered		
Total current tax	(100)	100
Deferred tax		
Origination and reversal of timing differences	501	(121)
Adjustment in respect of previous periods	155	45
Effect of change in tax rate	(205)	-
Total deferred tax	451	(76)
Tax on profit	351	24

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:

	2022 £'000	2021 £'000
Profit before tax	3,536	3,713
Tax on profit of the standard UK corporation tax rate of 19 % (2021: 19%)	672	705
Effect of:		
Expenses not deductible for tax purposes	122	118
Income not taxable for tax purposes	(357)	-
Effect of overseas tax rates	0	-
Adjustment from previous periods	(45)	45
Tax rate changes	(205)	-
Corporation tax withheld on RDEC not recognised	164	59
Deferred tax previously not recognised		(903)
Total tax charge for the year	351	24

	2022 Provided £'000	2022 Unprovided £'000	2021 Provided £'000	2021 Unprovided £'000
Deferred taxation and short term timing differences				
Capital allowances in excess of depreciation		(1,143)	1,110	
Losses		155	0	-
Other timing differences		231	33	-
		(757)	1,143	

Denso Marston Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

7. Tax on profit (continued)

Factors that may affect future tax charges

Corporation tax is calculated at 19.0% (2020:19.0%) 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	Long leasehold land and buildings	Plant and machinery	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
1 April 2021	17,750	4,500	89,095	2,699	114,044
Additions	-	-	-	6,933	6,933
Transfers	570	-	3,999	(4,569)	-
Disposals	-	-	(137)	-	(137)
31 March 2022	18,320	4,500	92,957	5,063	120,840
Depreciation					
1 April 2021	8,332	1,418	75,578	-	85,328
Charge for year	589	47	4,030	-	4,666
Disposals	-	-	(137)	-	(137)
31 March 2022	8,921	1,465	79,471	-	89,857
Net book value					
At 31 March 2022	9,399	3,035	13,486	5,063	30,983
At 31 March 2021	9,418	3,082	13,517	2,699	28,716

There were impairments of £34,000 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 (2021: £1,650,505) which is not depreciated.

9. Stocks

	2022 £'000	2021 £'000
Raw materials and consumables	7,933	6,664
Work-in-progress	2,568	2,057
Finished goods	2,297	572
	12,798	9,293

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 2022

10. Debtors

	2022 £'000	2021 £'000
Trade debtors	21,498	14,878
Amounts owed by Group undertakings	5,223	4,188
Taxation and social security	723	780
Other debtors	31	338
Prepayments and accrued income	1,641	662
Corporation tax debtor	525	658
	<hr/>	<hr/>
Amounts due within one year	29,641	21,504
Amount due after one year:		
Deferred taxation (Note 7)	856	1,143
	<hr/>	<hr/>
	<u>30,497</u>	<u>22,647</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

	2022 £'000	2021 £'000
Trade creditors	5,769	5,248
Amounts owed to Parent	26,355	14,940
Amounts owed to Group undertakings	556	254
Taxation and social security	500	409
Other creditors	6,823	4,724
	<hr/>	<hr/>
	<u>40,003</u>	<u>25,575</u>

The amounts owed to Parent include £26,104,000 (2021: £13,942,000) 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 2022

12. Provisions for liabilities

	Product warranties £'000
At 1 April 2021	157
Utilised	(57)
	<hr/>
At 31 March 2022	100
	<hr/>

Provisions for potential warranty claims reflect historic quality rates for mature products, together with anticipated quality rates for new products, and represent estimated costs to remedy the various quality issues which might 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

	2022 £'000	2021 £'000
<i>Allotted, called up and fully paid</i> 1,500,000 ordinary shares of £1 each	1,500	1,500
	<hr/>	<hr/>

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:

	2022 £'000	2021 £'000
Contracted for but not provided for	5,146	5,488
	<hr/>	<hr/>

15. Contingent liabilities and guarantees

The Company's bankers have provided an unsecured guarantee to HMRC in respect of duties payable by the Company. At the balance sheet date, the guarantee amounted to £600,000 (2021: £600,000).

Denso Marston Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

16. Operating lease commitments

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

	Plant and machinery	
	2022	2021
	£'000	£'000
Contracts expiring:		
Within one year	276	286
Between one and five years	734	772
After five years	33	166
	<u>1,043</u>	<u>1,224</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 £1,485,063 (2021: £1,396,245). As at 31 March 2022, contributions of £nil (2021: £nil) due in respect of the current reporting period had not been paid over to the scheme.

18. Dividends on equity shares

	2022	2021
	£'000	£'000
Dividends paid in the year	<u>3,689</u>	<u>2,340</u>

The dividend paid in the year was £3,689,000 being 246p per ordinary share (2021: £2,340,000 being 156p 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.