

NSK Bearings Europe Limited

Annual report and financial statements  
for the year ended 31 March 2011

Registered Number 1165693

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# **NSK Bearings Europe Limited**

## **Annual report and financial statements for the year ended 31 March 2011**

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# **NSK Bearings Europe Limited**

## **Directors' report for the year ended 31 March 2011**

The Directors present their annual report on the affairs of the company together with the audited financial statements and auditors' report, for the year ended 31 March 2011

### **Principal activities**

The company manufactures ball bearings and automotive components for NSK group companies at its factories in Peterlee and Newark

### **Business review**

The results of the company show a pre tax profit of €1,842,000 (2010 €182,739) The directors do not recommend the payment of a dividend (2010 €nil)

At the end of the financial year the Company sold a portion of land within its Northern Road, Newark, Nottinghamshire site which was previously used as its UK Distribution Centre The Distribution Centre is being relocated into newly refurbished buildings within the main NSK Northern Road site

The market for bearings improved during the year The first 6 months of the year ending 31 March 2012 has continued this positive trend However, the economic climate has continued to weaken with the debt crisis in Greece and a general down-turn in the expected GDP growth for the major European economies including the UK We therefore expect weaker growth in the second half of this financial year and over the next 12 months generally whilst facing an increasing tough trading environment

### **Strategy**

The company is a manufacturing company which sells all of its output to another group company, NSK Europe Limited The strategy for the company is to produce a high quality product at the lowest cost at the time when the product is required for sale This is done using the principles of total quality management

Due to a gradual change in the agreed currency of supplies and sales with customers, the directors decided that the local currency of NSK UK Limited should change from sterling to euros as at 1 April 2010 The balance sheet was translated as the prevailing rate of 1 1211 on 1 April 2010 and the presentational currency has changed from Sterling to Euro The full impact of the change in local currency is disclosed in Note 1

### **Key performance indicators ("KPI's")**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business



# **NSK Bearings Europe Limited**

## **Directors' report for the year ended 31 March 2011 (continued)**

### **Directors and their interests**

The Directors who held office during the year and up to the date of signing this report are as shown below

N Schneider  
Y Takebe (resigned 17 August 2011)  
K Motoda (resigned 17 August 2011)  
J Ackermann  
R Duning  
T Komori  
K Ozaki  
S Suzuki (appointed 17 August 2011)  
T Shimbo (appointed 17 August 2011)

### **Trade Creditors**

The company agrees payment terms with its suppliers when it enters into binding purchase contracts. The company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The company seeks to treat all its suppliers fairly and has a standard which deals specifically with the payment of suppliers.

The company had 49 days purchases outstanding at 31 March 2011 (2010: 46 days) based on the average daily amount invoiced by suppliers during the 12 months ended 31 March 2011.

### **Employee involvement**

The company is actively committed to employee involvement and during the year has kept employees as fully informed as possible with regard to the company's performance and prospects and has sought their views and suggestions, wherever practical, on matters which particularly affect them as employees.

### **Charitable donations**

The company donated £Nil (2010: £225) to a variety of local and national charities during the 12 months ended 31 March 2011.

### **Disabled persons**

During the year the company has given full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities.

Where people become disabled during the course of their employment, every effort is made to retain their services and to provide retraining if necessary. All employees are eligible for consideration for appropriate training, career development and promotional opportunities and disabled people are not treated any differently in this respect.



# **NSK Bearings Europe Limited**

## **Directors' report for the year ended 31 March 2011 (continued)**

### **Environmental policy**

The company has a well-established Environmental Policy, setting out its environmental objectives and commitment to progress towards environmental excellence. The emphasis is on continuous improvement of environmental performance, utilising total quality management as the key methodological tool. The philosophy underpinning this approach is one of "cradle-to-grave" focus. This entails influencing suppliers and sub-contractors to adopt sound environmental management practices, working on an environmental partnership basis with our customers and taking account of environmental impacts throughout the total life-cycle of our product range.

### **Research and development**

Research and development is carried out within the group and its subsidiary undertakings. The company receives an allocation of costs in relation to that activity and that cost is charged to the profit and loss account.

### **Land and buildings**

In the opinion of the directors the balance sheet value of land at the end of the year is not significantly different to its market value. The Directors believe the sale of the parcel of land at Northern Road, Newark, previously used as the UK Distribution Centre, makes no significant difference to the overall market value of the company's land.

### **Financial risk management**

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The company, in conjunction with the treasury department of its ultimate holding company, has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors, are implemented by the company's finance department. The department has a policy that sets out specific guidelines to manage interest rate risk, credit risk, and circumstances where it would be appropriate to use financial instruments to manage these.

#### *Price risk*

NSK Bearings Europe Limited is a contract manufacturer for NSK Europe Limited. NSK Europe Limited bears the commodity price risk to which the company is exposed.

#### *Credit risk*

NSK Europe Group has implemented policies that require appropriate credit checks on existing and potential customers before sales are made. The credit risk of the company is managed by the parent undertaking.



# **NSK Bearings Europe Limited**

## **Directors' report for the year ended 31 March 2011 (continued)**

### *Liquidity risk*

The company, in association with the treasury department of its ultimate holding company, actively maintains a mixture of long-term and short-term debt finance that is designed to ensure that the company has sufficient available funds for operations and any planned expansion

### *Interest rate cash flow risk*

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances which earn interest at variable rates. The directors will revisit the appropriateness of this, in conjunction with the treasury department of the ultimate holding company, should the company's operations change in size or nature

### **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

The directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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,
- 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

### **Statement of disclosure of information to auditors**

For each of the persons who were directors at the time this report was prepared, the following applies

- So far as the directors are aware, there is no relevant audit information (i.e. information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and



# **NSK Bearings Europe Limited**

## **Directors' report for the year ended 31 March 2011 (continued)**

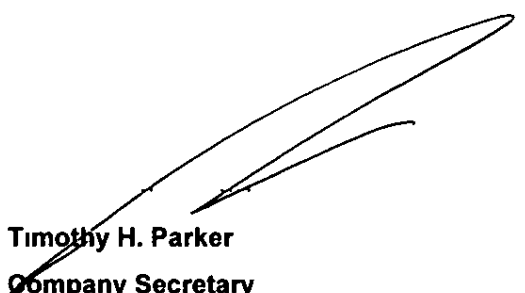
- The directors have taken all the steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

### **Independent Auditors**

A decision to re-appoint PricewaterhouseCoopers LLP as auditors for the ensuing year will be made by the company's directors at the next general meeting of the company

By order of the Board

Registered office  
Belmont Place  
Belmont Road  
Maidenhead  
Berkshire  
SL6 6TB  
UK



Timothy H. Parker  
Company Secretary  
2 December 2011



# **NSK Bearings Europe Limited**

## **Independent auditors' report to the members of NSK Bearings Europe Limited**

We have audited the financial statements of NSK Bearings Europe Limited for the year ended 31 March 2011 which comprise the Profit and loss account, the Balance sheet, the Statement of total recognised gains and losses, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.



# **NSK Bearings Europe Limited**

## **Independent auditors' report to the members of NSK Bearings Europe Limited (continued)**

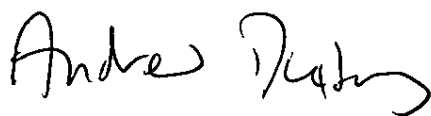
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Andrew Duxbury (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London



2011



## NSK Bearings Europe Limited

### Profit and loss account for the year ended 31 March 2011

|  | Note | 2011<br>€'000    | 2010<br>€'000 |
|--|------|------------------|---------------|
| <b>Turnover</b>                                      | 2    | <b>148,956</b>   | 121,935       |
| <b>Cost of sales</b>                                 |      | <b>(145,527)</b> | (120,331)     |
| Gross profit/(loss)                                  |      | <b>3,429</b>     | (1,604)       |
| Operating expenses                                   | 3    | -                | (150)         |
| <b>Operating profit</b>                              |      | <b>3,429</b>     | 1,454         |
| Profit on disposal of fixed assets                   | 7    | <b>507</b>       | 57            |
| Interest receivable                                  | 3    | <b>130</b>       | 221           |
| Other net finance charge                             | 15   | <b>(2,224)</b>   | (1,549)       |
| <b>Profit on ordinary activities before taxation</b> | 3    | <b>1,842</b>     | 183           |
| Tax on profit on ordinary activities                 | 6    | -                | 446           |
| <b>Profit for the financial year</b>                 | 17   | <b>1,842</b>     | 629           |

There is no difference between the historical cost profit and the reported profit for the current and previous financial years

All results relate to continuing operations



## **NSK Bearings Europe Limited**

### **Statement of total recognised gains and losses for the year ended 31 March 2011**

|  | Note | 2011<br>€'000  | 2010<br>€'000 |
|--|------|----------------|---------------|
| Profit for the financial year                  |      | <b>1,842</b>   | 629           |
| Actuarial loss for the year                    | 15   | <b>(8,498)</b> | (31,643)      |
| Exchange loss on Assets and Liabilities        |      | <b>(151)</b>   | -             |
| Total recognised gains and losses for the year |      | <b>(6,807)</b> | (31,014)      |

There is no difference between the historical cost profit and the reported profit for the current and loss for the previous financial years

All results relate to continuing operations



# NSK Bearings Europe Limited

## Balance sheet as at 31 March 2011

|  | Note | 2011<br>€'000   | 2010<br>€'000   |
|--|------|-----------------|-----------------|
| <b>Fixed assets</b>                                  |      |                 |                 |
| Tangible assets                                      | 7    | 35,470          | 37,351          |
| <b>Current assets</b>                                |      |                 |                 |
| Stock  | 9    | 18,875          | 14,369          |
| Debtors  | 10   | 21,799          | 5,283           |
| Cash at bank and in hand                             |      | 18,205          | 34,311          |
|  |      | <b>58,879</b>   | <b>53,963</b>   |
| <b>Creditors amounts falling due within one year</b> | 11   | <b>(22,647)</b> | <b>(18,359)</b> |
| <b>Net current assets</b>                            |      | <b>36,232</b>   | <b>35,604</b>   |
| <b>Total assets less current liabilities</b>         |      | <b>71,702</b>   | <b>72,955</b>   |
| <b>Net assets excluding pension liability</b>        |      | <b>71,702</b>   | <b>72,955</b>   |
| Pension liability                                    | 15   | (51,002)        | (45,448)        |
| <b>Net assets including pension liability</b>        |      | <b>20,700</b>   | <b>27,507</b>   |
| <b>Capital and reserves</b>                          |      |                 |                 |
| Called up share capital                              | 14   | 47,759          | 47,759          |
| Profit and loss account                              | 17   | (27,059)        | (20,252)        |
| <b>Total shareholders' funds</b>                     | 18   | <b>20,700</b>   | <b>27,507</b>   |

The financial statements on pages 9 to 27 were approved by the board of directors on 2 December 2011 and were signed on its behalf by

  
**N Schneider**  
Director

NSK Bearings Europe Limited  
Registered Number 1165693



# **NSK Bearings Europe Limited**

## **Notes to the financial statements for the year ended 31 March 2011**

### **1 Accounting policies**

A summary of the principal accounting policies and estimation techniques is set out below

#### **General information**

These financial statements have been prepared on an accounting basis consistent with that applied in the financial year ended 31 March 2010 with the exception of the functional currency

On 1 April 2010 NSK Bearings Europe Limited changed its functional currency from Sterling to Euro due to the activity of the NSK Europe group being predominantly in Euro. The Balance Sheet and Retained Earnings as at 1 April 2010 were translated from Sterling to Euro at that date using the prevailing rate on the day of 1.1211. The comparative figures in the profit and loss account and statement of total recognised gains and losses have been translated at the same rate.

#### **Convention**

The financial statements have been prepared under the historical cost convention, on a going concern basis, and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006.

FRS 18, "Accounting Policies" requires the directors to consider whether the accounting policies adopted in the financial statements are those judged to be the most appropriate to the company's circumstances, are reviewed regularly and changed as appropriate. Having reviewed the company's accounting policies, the directors are satisfied they are the most appropriate.

#### **Turnover**

Turnover represents amounts receivable for goods provided in the normal course of business, net of trade discounts, value added tax and other sales related taxes and is recognised at the point risk and rewards are transferred to the customer, typically being point of delivery.

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Once an asset has been brought into use its cost, less its estimated residual value, is written off in equal annual instalments over its estimated useful life. Assets are written off over the following periods:

|  |                           |
|--|---------------------------|
| Freehold land                                | - not depreciated         |
| Freehold buildings                           | - between 18 and 50 years |
| Plant and machinery                          | - between 3 and 15 years  |
| Tools, fixtures, fittings and motor vehicles | - between 3 and 10 years  |

Assets in the course of construction are not depreciated until the asset is brought into use.



# **NSK Bearings Europe Limited**

## **Notes to the financial statements for the year ended 31 March 2011 (continued)**

### **1 Accounting policies (continued)**

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Where stocks are purchased from abroad, cost includes all expenses of importation and delivery to the company's premises. Where stocks are manufactured by the company in the United Kingdom, cost includes materials, labour and an appropriate proportion of manufacturing overheads.

The net realisable value is based on the normal estimated selling price less further costs expected to be incurred for completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### **Leased assets**

Rental payments under operating leases are charged to the profit and loss account on a straight line basis.

#### **Government grants**

Regional development and other capital based government grants are brought into the balance sheet on an accruals basis and accounted for in equal annual instalments through the profit and loss account over the estimated useful life of the relevant asset, after it has been brought into use. Grants which are related to revenue expenditure are credited to the profit and loss account in the period in which they are earned.

#### **Foreign currencies**

Transactions denominated in foreign currencies are recorded in the financial statements at actual exchange rates as of the date of the transaction (or where appropriate at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rate of exchange prevailing at that date (or where appropriate at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account. As noted above as from 1 April 2010 the company considers its functional currency to be Euros. Through the application of the historical cost convention, non-monetary assets are not translated annually.

#### **Current taxation**

Corporation tax payable is provided on taxable profits at the current rate. The taxation liabilities of certain companies within the NSK Europe Limited group are reduced wholly or in part by the surrender of losses by fellow group companies.

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, which gives rise to an obligation to pay more or less tax in the future. Timing differences are differences between the taxable profit and profits as stated in the accounts. Deferred tax assets and liabilities are not discounted, and assets are only recognised to the extent they are considered recoverable.



# **NSK Bearings Europe Limited**

## **Notes to the financial statements for the year ended 31 March 2011 (continued)**

### **1 Accounting policies (continued)**

#### **Pensions**

##### **a) Defined benefit**

The company participates in a group defined benefit pension scheme. The fund is valued every three years by a professionally qualified independent actuary, with rates of contribution payable

being determined by the actuary. In the intervening years, the actuary reviews the continuing appropriateness of the rates.

The pension scheme assets are measured at fair value and scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the scheme liabilities. The increase in the present value of the scheme liabilities expected to arise from employee service during the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in net finance cost.

Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full.

The deficit or asset in the group pension scheme is allocated to the company and included in these financial statements based on the number of current and past employees.

##### **b) Defined contribution**

For defined contribution schemes the cost of providing benefits is charged to operating profit as incurred.

#### **Cash flow statement and related party transactions**

A statement of cash flows has not been prepared on the basis that the company is a wholly owned subsidiary of NSK Ltd, whose consolidated financial statements are publicly available, in accordance with the provisions of FRS1 (Revised 1996) "Cash Flow Statements".

The company is also exempt under the terms of FRS 8 "Related Party Disclosures" from disclosing related party transactions with entities that are part of the NSK Ltd group.

#### **Research and development**

Research and development expenditure is written off to the profit and loss in the year of expenditure.

### **2 Turnover**

The company only manufactures in the United Kingdom and in the opinion of the directors carried on one activity during the year. All turnover relates to the United Kingdom.



# NSK Bearings Europe Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting)

|   | <b>2010</b>   | <b>2010</b>  |
|---|---------------|--------------|
|   | <b>€'000</b>  | <b>€'000</b> |
| Staff costs, including directors (Note 4)             | <b>18,334</b> | 15,732       |
| Depreciation  | <b>6,043</b>  | 6,490        |
| Research and development costs                        | -             | 150          |
| Restructuring costs                                   | <b>458</b>    | 2,778        |
| Auditors' remuneration for                            |               |              |
| Audit services  | <b>55</b>     | 57           |
| Interest receivable - bank interest receivable        | <b>(130)</b>  | (221)        |
| Operating lease rental payments - plant and machinery | <b>201</b>    | 184          |



# NSK Bearings Europe Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 4 Employee information

|  | 2011   | 2010   |
|--|--------|--------|
|  | €'000  | €'000  |
| Wages and salaries                             | 15,521 | 13,553 |
| Social security costs                          | 1,220  | 1,122  |
| Pension Costs – defined benefit (note 15)      | 1,515  | 982    |
| Pension Costs – defined contribution (note 15) | 78     | 75     |
|  | 18,334 | 15,732 |

The average monthly number of people employed by the company during the year was as follows

|            | 2011   | 2010   |
|------------|--------|--------|
|            | Number | Number |
| Production | 474    | 455    |

### 5 Directors' emoluments

The total emoluments of directors were €nil (2010 €nil)

N Schneider is also a director of the parent company, NSK Europe Limited and his remuneration is met by that company. J Ackerman and R Dunning's remuneration is met by other NSK group companies. The other directors who served during the year are also directors of the ultimate parent company, NSK Ltd and their remuneration is met by that company. Although the directors do receive remuneration from these companies in respect of their services to NSK Bearings Europe Limited, it is not practical to allocate their remuneration to individual companies within the NSK group. Therefore, all remuneration has been disclosed in the financial statements of NSK Europe Limited and NSK Ltd.



# NSK Bearings Europe Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 6 Tax on profit on ordinary activities

|                                      | 2011  | 2010  |
|--------------------------------------|-------|-------|
|                                      | €'000 | €'000 |
| Current tax                          | -     | -     |
| Adjustment in respect of prior years | -     | (446) |
|                                      | -     | (446) |

#### Tax reconciliation:

The tax assessed for the year is lower (2010 lower) than the standard rate of corporation tax in the United Kingdom. The differences are explained below

|   | 2011           | 2010       |
|---|----------------|------------|
|   | €'000          | €'000      |
| <b>Profit on ordinary activities before taxation:</b> | <b>1,842</b>   | <b>183</b> |
| Taxation at 28% (2010 28%)                            | <b>516</b>     | 52         |
| None deductible/taxable expenditure                   | <b>(1,105)</b> | (90)       |
| Deferred tax timing differences not recognised        | <b>625</b>     | (308)      |
| Group relief surrendered without charge               | <b>(36)</b>    | 346        |
| Adjustment in respect of prior years                  | -              | (446)      |
| Tax credit  | -              | (446)      |

The Finance Act 2011 includes legislation reducing the main rate of corporation tax from 28% to 26% from 1 April 2011 and to 25% from 1 April 2012. The effect of these changes will be to reduce the unrecognised deferred tax asset as at 31 March 2011 by approximately €1.6 million. This €1.6 million decrease in the unrecognised deferred tax asset will have no impact on the company's profit.



# NSK Bearings Europe Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 7 Tangible fixed assets

|                                 | Freehold<br>land and<br>buildings | Plant and<br>machinery | Tools,<br>fixtures,<br>fittings<br>and motor<br>vehicles | Assets<br>in the<br>course of<br>construction | Total          |
|---------------------------------|-----------------------------------|------------------------|--|---|----------------|
|                                 | €'000                             | €'000                  | €'000  | €'000   | €'000          |
| <b>Cost</b>                     |                                   |                        |  |   |                |
| At 1 April 2010                 | 25,156                            | 111,344                | 4,882  | 458   | 141,840        |
| Additions                       | -                                 | 890                    | -  | 3,242   | 4,132          |
| Disposals                       | (447)                             | (242)                  | -  | -   | (689)          |
| Inter group Transfers           | -                                 | 12,310                 | 123  | (1,270)                                       | 11,163         |
| <b>At 31 March 2011</b>         | <b>24,709</b>                     | <b>124,302</b>         | <b>5,005</b>   | <b>2,430</b>                                  | <b>156,446</b> |
| <b>Accumulated depreciation</b> |                                   |                        |  |   |                |
| At 1 April 2010                 | 11,354                            | 88,501                 | 4,634  | -   | 104,489        |
| Charge for the year             | 411                               | 5,497                  | 135  | -   | 6,043          |
| Inter group Transfers           | -                                 | 10,752                 | 62   | -   | 10,814         |
| Disposals                       | (128)                             | (242)                  | -  | -   | (370)          |
| <b>At 31 March 2011</b>         | <b>11,637</b>                     | <b>104,508</b>         | <b>4,831</b>   | <b>-</b>                                      | <b>120,976</b> |
| <b>Net book value</b>           |                                   |                        |  |   |                |
| <b>At 31 March 2011</b>         | <b>13,072</b>                     | <b>19,794</b>          | <b>174</b>   | <b>2,430</b>                                  | <b>35,470</b>  |
| At 31 March 2010                | 13,802                            | 22,843                 | 248  | 458   | 37,351         |

The proceeds received for the disposal of the assets totalled €826,615 against a net book value of €319,038 to leave a profit on disposals of assets of €507,577

During the year assets with a net book value of €1.6 million were transferred from NSK Steering Systems Ltd a fellow group company



# NSK Bearings Europe Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 8 Capital commitments

|  | 2011  | 2010  |
|--|-------|-------|
|  | €'000 | €'000 |
| Capital expenditure commitments at the year end were |       |       |
| Contracted but not provided for                      | 3,550 | 467   |

### 9 Stock

|                                     | 2011   | 2010   |
|-------------------------------------|--------|--------|
|                                     | €'000  | €'000  |
| Raw materials and consumables       | 9,795  | 7,570  |
| Work in progress                    | 8,775  | 6,799  |
| Finished goods and goods for resale | 305    | -      |
|                                     | 18,875 | 14,369 |

The company has €2,559,732 (2010 €1,716,542) of consignment stocks that are held on a usage or return basis from the manufacturer, which have not been recognised in the stock above. Title to this stock passes to the company at the earlier of when it is issued into production or two months after the delivery date.

### 10 Debtors

|                                    | 2011   | 2010  |
|------------------------------------|--------|-------|
|                                    | €'000  | €'000 |
| Trade debtors                      | 45     | 86    |
| Amounts owed by group undertakings | 19,462 | 3,838 |
| Other debtors                      | 2,198  | 1,228 |
| Prepayments                        | 94     | 131   |
|                                    | 21,799 | 5,283 |

Amounts owed by group undertakings are unsecured, non interest bearing and are repayable on demand.



# NSK Bearings Europe Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

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

|                                    | 2011          | 2010          |
|------------------------------------|---------------|---------------|
|                                    | €'000         | €'000         |
| Trade creditors                    | 11,713        | 9,606         |
| Amounts owed to group undertakings | 6,662         | 5,869         |
| Other creditors                    | 3,216         | 2,513         |
| Taxation and social security       | 1,056         | 370           |
|                                    | <b>22,647</b> | <b>18,358</b> |

The company is party to a group cross guarantee arrangement relating to fellow subsidiary undertakings of NSK Europe Limited operating in the United Kingdom. At 31 March 2011 the company's maximum potential liability under the cross guarantee arrangement amounted to €22,488,490 (2010: €47,637,781).

In addition, at 31 March 2011 the company was contingently liable to banks in respect of acceptances and guarantees for an amount of €835,904 (2010: €269,064).

Amounts owed to group undertakings are unsecured, non interest bearing and are repayable on demand.

### 12 Lease obligations

The minimum commitment for the next year in respect of non-cancellable operating leases, which relate to plant and machinery, analysed by expiry date is:

|                          | 2011      | 2010       |
|--------------------------|-----------|------------|
|                          | €'000     | €'000      |
| Within one year          | 17        | 71         |
| Within two to five years | 73        | 88         |
|                          | <b>90</b> | <b>159</b> |



# NSK Bearings Europe Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 13 Provisions for liabilities

The company has the following deferred tax asset which due to uncertainty regarding its recoverability has not been recognised

|                                     | 2011<br>€'000 | 2010<br>€'000 |
|-------------------------------------|---------------|---------------|
| Accelerated capital allowances      | (653)         | 997           |
| Other short term timing differences | (344)         | (570)         |
| Pension                             | (14,281)      | (12,726)      |
| Tax Losses                          | (7,637)       | (7,568)       |
|                                     | (22,915)      | (19,867)      |

### 14 Called up share capital

|   | 2011<br>€'000 | 2010<br>€'000 |
|---|---------------|---------------|
| <b>Authorised</b>                                       |               |               |
| 45,000,000 (2010 45,000,000) ordinary shares of £1 each | 50,450        | 50,450        |
| <b>Allotted, issued and fully paid</b>                  |               |               |
| 42,600,000 (2010 42,600,000) ordinary shares of £1 each | 47,759        | 47,759        |



# NSK Bearings Europe Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 15 Pension commitments

#### NSK Pension Scheme

The scheme is a career average earnings scheme. The assets of the scheme are held in a separate trustee administered fund. The company has identified its share of the assets and liabilities of the scheme and accounted for them as a defined benefit pension scheme.

The scheme is closed to new members. It is therefore expected that under the projected unit method prescribed by FRS17 "Retirement Benefits" the contribution rate in respect of current service will increase as the members of the scheme approach retirement.

The most recent full actuarial valuation of the scheme was at 31 July 2009. Independent qualified actuaries updated these valuations in order to assess the liabilities of the scheme at 31 March 2011 for the purposes of FRS17 "Retirement Benefits". Scheme assets are stated at their market value at 31 March 2011. The principal assumptions made by the actuaries are shown in the table below.

|  | 2011        | 2010        |
|--|-------------|-------------|
|  | % per annum | % per annum |
| Rate of increase in pension payment        | 3.6         | 3.5         |
| Rate of increase of deferred pensions      | 3.6         | 3.6         |
| Discount rate                              | 5.6         | 5.8         |
| Inflation assumption                       | 3.6         | 3.6         |
|  | 2011        | 2010        |
|  | Years       | Years       |
| Longevity at age 65 for current pensioners |             |             |
| Men  | 21.3        | 20.7        |
| Women                                      | 23.1        | 22.8        |
| Longevity at age 65 for future pensioners  |             |             |
| Men  | 22.8        | 21.4        |
| Women                                      | 23.9        | 23.6        |

The above assumptions were unchanged from last year as a result of the restatement.



# NSK Bearings Europe Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 15 Pension commitments (continued)

The assets in the scheme and the expected rates of return were

|  | Long-term<br>rate of<br>return<br>expected<br>at 31<br>March<br>2011 | Value at<br>31<br>March<br>2011 | Long-term<br>rate of<br>return<br>expected<br>at 31<br>March<br>2010 | Value at<br>31<br>March<br>2010 |
|--|--|---------------------------------|--|---------------------------------|
|  | %  | €'000                           | %  | €'000                           |
| Equities                               | 8.2  | 41,927                          | 7.8  | 38,364                          |
| Bonds                                  | 5.2  | 140,651                         | 5.5  | 133,166                         |
| Total market value of<br>scheme assets |  | 182,578                         |  | 171,530                         |
| Present value of<br>scheme liabilities |  | (233,580)                       |  | (216,978)                       |
| <b>Deficit in the scheme</b>           |  | <b>(51,002)</b>                 |  | <b>(45,448)</b>                 |

The following amounts have been recognised in the performance statements

|  | 2011         | 2010         |
|--|--------------|--------------|
|  | €'000        | €'000        |
| <b>Operating Profit</b>                  |              |              |
| Current service cost                     | 1,515        | 982          |
| <b>Other net finance charge:</b>         |              |              |
| Expected return on pension scheme assets | (10,773)     | (9,193)      |
| Interest on pension scheme liabilities   | 12,997       | 10,742       |
| <b>Net finance cost</b>                  | <b>2,224</b> | <b>1,549</b> |



# NSK Bearings Europe Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 15 Pension commitments (continued)

|  | 2011            | 2010            |
|--|-----------------|-----------------|
|  | €'000           | €'000           |
| <b>Statement of total recognised gains and losses (STRGL):</b>     |                 |                 |
| Actual return less expected return on pension scheme assets        | (1,414)         | 20,404          |
| Experience gains and losses arising on the scheme liabilities      | 1,956           | (2,853)         |
| Changes in financial assumptions underlying the scheme liabilities | (9,040)         | (49,194)        |
| <b>Actuarial loss recognised in the STRGL</b>                      | <b>(8,498)</b>  | <b>(31,643)</b> |
|  |                 |                 |
|  | 2011            | 2010            |
|  | €'000           | €'000           |
| Deficit in the scheme at the beginning of the year                 | (45,448)        | (18,025)        |
| <b>Movement in the year:</b>                                       |                 |                 |
| Current service cost   | (1,515)         | (982)           |
| Contributions  | 6,834           | 6,751           |
| Other net finance charge   | (2,224)         | (1,549)         |
| Actuarial loss   | (8,498)         | (31,643)        |
| Exchange loss on Assets and Liabilities                            | (151)           | -               |
| <b>Deficit in the scheme at the end of the year</b>                | <b>(51,002)</b> | <b>(45,448)</b> |



# NSK Bearings Europe Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 15 Pension commitments (continued)

|  | <b>Scheme<br/>Assets</b> | <b>Scheme<br/>Liabilities</b> | <b>Scheme<br/>Assets</b> | <b>Scheme<br/>Liabilities</b> |
|--|--------------------------|-------------------------------|--------------------------|-------------------------------|
|  | <b>2011</b>              | <b>2011</b>                   | <b>2010</b>              | <b>2010</b>                   |
|  | <b>€'000</b>             | <b>€'000</b>                  | <b>€'000</b>             | <b>€'000</b>                  |
| <b>Beginning of the year</b>             | <b>171,530</b>           | <b>216,978</b>                | <b>143,420</b>           | <b>161,445</b>                |
| Current service cost                     | -                        | 1,515                         | -                        | 982                           |
| Interest on pension scheme liabilities   | -                        | 12,997                        | -                        | 10,742                        |
| Expected return on pension scheme assets | 10,773                   | -                             | 9,193                    | -                             |
| Employer contributions                   | 6,834                    | -                             | 6,751                    | -                             |
| Contributions by employees               | 716                      | 716                           | 806                      | 806                           |
| Benefits paid                            | (6,802)                  | (6,802)                       | (9,044)                  | (9,044)                       |
| Change of assumptions                    | -                        | 9,040                         | -                        | 49,194                        |
| Actuarial gain / loss                    | (1,414)                  | (1,956)                       | 20,404                   | 2,853                         |
| Exchange loss on Assets and Liabilities  | 941                      | 1,092                         | -                        | -                             |
| <b>At end of the year</b>                | <b>182,578</b>           | <b>233,580</b>                | <b>171,530</b>           | <b>216,978</b>                |

The major categories of scheme assets as a percentage of total scheme assets are as follows

|          | <b>2011</b> | <b>2010</b> |
|----------|-------------|-------------|
| Equities | <b>23%</b>  | <b>22%</b>  |
| Bonds    | <b>77%</b>  | <b>78%</b>  |



# NSK Bearings Europe Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 15 Pension commitments (continued)

#### Cumulative actuarial gains and losses recognised in equity

|   | 2011<br>€'000   | 2010<br>€'000   |
|---|-----------------|-----------------|
| At beginning of the year                    | (66,564)        | (34,921)        |
| Net actuarial losses recognised in the year | (8,498)         | (31,643)        |
| <b>At end of the year</b>                   | <b>(75,062)</b> | <b>(66,564)</b> |

|   | March<br>2011<br>€'000 | March<br>2010<br>€'000 |
|---|------------------------|------------------------|
| Present value of scheme liabilities                             | (233,580)              | (216,978)              |
| Total market value of scheme assets                             | 182,578                | 171,530                |
| <b>Deficit in the scheme</b>                                    | <b>(51,002)</b>        | <b>(45,448)</b>        |
| Experience adjustments on scheme assets                         |                        |                        |
| Amount  | (1,414)                | 20,404                 |
| Experience adjustments on scheme liabilities                    |                        |                        |
| Amount  | (7,084)                | (52,047)               |
| <b>Total actuarial gains and losses recognised in the STRGL</b> |                        |                        |
| <b>Amount</b>   | <b>(8,498)</b>         | <b>(31,643)</b>        |

The actual return on scheme assets was €9,359,000 (2010 €29,597,000)

#### Defined Contribution Scheme

The company also contributed to a defined contribution pension scheme during the year. The total pension cost for the company during the year ended 31 March 2011 was €78,016 (2010 €75,113) in respect of this scheme.



# NSK Bearings Europe Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 16 Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of NSK Europe Limited, a company registered in England and Wales. NSK Europe Limited is itself a wholly owned subsidiary of NSK Ltd, the ultimate parent company and controlling party, which is incorporated in Japan.

NSK Ltd heads the largest group in which the results of the company are consolidated. The financial statements of NSK Ltd are available to the public and may be obtained from NSK Ltd, Nissei Building, 6-3 Ohsaki 1-Chome, Shinagawa-ku Tokyo 141, Japan.

The parent of the smallest group for which financial statements including NSK Bearings Europe Limited are drawn up is NSK Europe Limited. Copies of the financial statements of this group can be obtained from the Company secretary at Belmont Place, Belmont Road, Maidenhead, Berkshire, SL6 6TB.

### 17 Profit and loss account

|  | 2011     | 2010     |
|--|----------|----------|
|  | €'000    | €'000    |
| At the beginning of the year                               | (20,252) | 10,762   |
| Profit for the financial year                              | 1,842    | 629      |
| Actuarial loss recognised in respect of the pension scheme | (8,498)  | (31,643) |
| Exchange loss on Assets and Liabilities                    | (151)    | -        |
| At the end of the year                                     | (27,059) | (20,252) |

### 18 Reconciliation of movements in total shareholders' funds

|  | 2011    | 2010     |
|--|---------|----------|
|  | €'000   | €'000    |
| At the beginning of the year                               | 27,507  | 58,521   |
| Profit for the financial year                              | 1,842   | 629      |
| Actuarial loss recognised in respect of the pension scheme | (8,498) | (31,643) |
| Exchange loss on Assets and Liabilities                    | (151)   | -        |
| At the end of the year                                     | 20,700  | 27,507   |