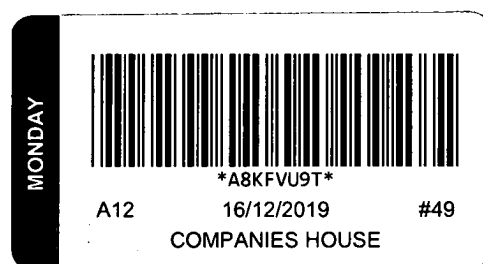


Registered No: 02223191

NSK Europe Limited
Annual report and financial statements
for the year ended 31 March 2019



Annual report and financial statements for the year ended 31 March 2019

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NSK Europe Limited

Directors' report for the year ended 31 March 2019

NSK Europe Limited (the Company) is a company domiciled and incorporated in the United Kingdom. It is a private Limited Company with its shares being 100% held by NSK Limited. The Group for the year ended 31 March 2019 comprise the Company and its subsidiaries and the Group's interest in an associate company (together referred to as the Group, see note 24 of the consolidated financial statements).

The directors present below their report, the Strategic report, the audited consolidated financial statements of the Group and the Company financial statements for the year-ended 31 March 2019. The following matters are reported upon in the Strategic report: financial risk management, employee involvement, disabled employees and future developments.

Principal activities and business review

The principal activity of the Group is to manufacture and sell standard, special and precision bearings and components to the automotive and engineering industries in the United Kingdom and overseas. The principal activity of the Company is the same as the Group and also to provide management and financial services to NSK Europe Limited group companies in the Europe, Middle East, and Africa region ("EMEA"). It also bears the cost of the majority of the technical and development activities undertaken by the group.

The Group and Company holds a provision of €15.7 million (2018: €21.0 million) in respect of litigation and other legal matters. The provision represents the Group's best estimate of the potential liabilities associated with the claims taking into account the circumstances, uncertainties and many complexities of each case and the final amount might be materially different from this provision. Further details are set out in Note 20 of the Group Financial Statements and note 13 of the Company accounts.

During the year, weaknesses were identified in the control environment of the UK manufacturing plants, affecting a number of areas of accounting. Following identification of this, Management have strengthened the control environment and corrected the accounting to ensure the accurate reporting of results in the Financial Statements. This process included using an external firm to investigate the issue and to make control improvement recommendations as necessary. A restatement of €5.2 million has been booked to the financial position as at 31 March 2018. Additionally, a further €4.5 million correction has been adjusted in 2019 as it could not accurately be attributed to any one period (Note 31). No material adjustments were necessary to the financial position as at 31 March 2017.

Dividends

No dividend is recommended (2018: nil)

Directors

The directors of the Company who served during the year and up to the date of the report, unless otherwise indicated, are as shown below:

A Browne	
M Fumoto	(Resigned 1 October 2019)
G Frisby	(Resigned 1 September 2018)
T Uchiyama	
I Murata	
T Constantine	(Appointed 1 September 2018, resigned 6 June 2019)
U Nass	(Appointed 1 April 2019)
T Parker	(Appointed 6 June 2019)
B Parkinson	(Appointed 1 September 2019)

Directors' report for the year ended 31 March 2019 (continued)

Charitable and political donations

During the year the Group made charitable donations of €5,557 (2018: €28,063) to various local causes in the EMEA region.

There were no political donations in the year (2018: nil).

International financial reporting standards

These financial statements for the year ended 31 March 2019, are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' report for the year ended 31 March 2019 (continued)

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate for the Group as it is profitable and has net assets.

On behalf of the Board



B Parkinson

Director

Registered office

Belmont Place
Belmont Road
Maidenhead
Berkshire, SL6 6TB

Date 12 December 2019

Strategic report for the year ended 31 March 2019

Review of the Business

Revenue for the year was €1,023.4 million (2018: €1,067.4 million). Profit before tax was €52.5 million (2018: €46.9 million - restated). The operating profit was €52.7 million (2018: €47.7 million - restated). Revenue and operating profit are considered to be the Group's key performance indicators. Trading conditions in Europe were difficult amidst a Global economic slowdown, trade policy uncertainty and stricter emissions regulations. The year was characterised by significant volume reductions especially in the Automotive business. The negative impact was partially offset by improved product mix and price increases resulting in a net reduction in revenue of €44.0 million.

Operating profit increased in the year from €47.7 million (restated) to €52.7 million. There were some key drivers to this performance:

- Volume, mix and price increases resulted in a more or less neutral performance year on year.
- Pension expenses: During the financial year the total pension cost recognised by the Group was €7.7 million compared with a charge of €14.8 million in the prior year (see Note 28). The current year charge consisted primarily of a charge for guaranteed minimum pension "GMP", the prior year charge largely consisted of the cost of the Enhanced Transfer Value ("ETV") exercise.
- The Group was positively impacted, compared with the prior year, by the price of finished goods from its parent entity NSK Limited due to the value of the Yen versus the Euro at the point prices are set. The positive impact year on year was estimated at €8.1 million
- There was a decrease in provisions for liabilities with a current year charge of €1.1 million (2018: €7.9 million).
- Wage inflation, particularly in the Polish plants, impacted the Group. The increase in staff costs year on year was €8.4 million (Note 8).
- A prior year adjustment of €5.2 million was required to correct certain balance sheet accounts(see note 31).
- The underlying performance reflect a deterioration in the results of the Group's Automotive Bearings business due to a combination of lower margin new business and increased plant costs.

The positive and negative factors above resulted in the increase to operating profits achieved in the year.

For the next financial year it is expected that the operating profit will be much more challenging particularly in the Automotive sectors due to a slowdown in demand, particularly in China and Germany. We would expect a reduced level of profitability compared with the current year.

The net assets of the Group at the end of the year were €362.0 million (2018: €331.2 million - restated).

Strategic report for the year ended 31 March 2019 (continued)

Prior year misstatement

During the year, weaknesses were identified in the control environment of the UK manufacturing plants, affecting a number of areas of accounting. Following identification of this, Management have strengthened the control environment and corrected the accounting to ensure the accurate reporting of results in the Financial Statements. This process included using an external firm to investigate the issue and to make control improvement recommendations as necessary. A restatement of €5.2 million has been booked to the financial position as at 31 March 2018. Additionally, a further €4.5 million correction has been adjusted in 2019 as it could not accurately be attributed to any one period (Note 31). No material adjustments were necessary to the financial position as at 31 March 2017.

Strategy

The Group's long-term objective is to achieve sustainable growth. To reach this goal the focus continues to be on further strengthening its product offering and manufacturing capabilities, and fully utilising its technological strengths and resources. In particular the expansion of manufacturing in Europe is important. The Group continues to look to expanding its activities by focussing on new applications that address the advance of automotive technology, and developing industrial sales in emerging markets and in growth sectors.

Principal risks and uncertainties

The Group's senior management team, the Operating Committee, meet formally on a monthly basis to review the performance and status of each business unit and of the Group as a whole. Principal risks and uncertainties are also considered at each meeting. The membership of the Operating Committee is set out below:

M. Fumoto – Chief Executive Office (resigned 1 October 2019)
I. Murata – Deputy Head of all European Operations
G. Frisby – Chief Financial Officer (resigned 1 September 2018)
T. Constantine – Chief Financial Officer (appointed 1 September 2018, resigned 6 June 2019)
G. Winkler-Gonze – Industrial Business Unit Managing Director
F. Keiffer – Automotive Business Unit Managing Director
K. Noack – Steering Business Unit Managing Director
T. Doran – Senior Director of IS, Security & Logistics
V. Polonyi – Engineering Director
C. Yesilbas – Director of Quality
A. Savage – European Human Resources Director (Interim basis up to 31 July 2018, permanent thereafter)
K. Ozaki – Director of Manufacturing & Procurement
U. Nass – Chief Operating Officer (Appointed 1 April 2019)
T. Parker – Legal Director and Company Secretary

Strategic report for the year ended 31 March 2019 (continued)

Principal risks and uncertainties (continued)

Additionally, the Board of Directors has established three formal sub committees as below:

- the Risk and Audit Committee – to oversee risk and audit activities in Europe and to support the initiatives of the Internal Audit Department of the Group;
- the Compliance and Ethics Committee – to ensure the Group operates to the highest ethical business standards and in compliance with applicable laws and regulations; and
- the Security Management Committee – to ensure the confidentiality, integrity and availability of its information assets and those of its partners.

As from September 2018 the Security Management Committee was merged into the Risk and Audit Committee. The principal risks and uncertainties facing the Group are financial risk (considered in more detail below), competitive risk from other manufacturers and more generally but importantly, from the prevailing economic environment in Europe.

Financial and Business risk management

The Group's operations expose it to a variety of financial risks that include foreign currency exchange rates, price risk, credit risk, liquidity risk and interest rate cash flow risk. These risks and the sensitivity to rate changes are disclosed in note 29 "Financial Instruments" of the Group financial statements. Other financial and business risks are highlighted in the table below:

Strategic report for the year ended 31 March 2019 (continued)

Financial and Business risk management - continued

Area of potential risk	Potential impact	Mitigating activity
Brexit could have an impact on the free movement of goods in the EU.	Ability of the Group, its suppliers and customers to amend in a timely manner their systems or processes.	<ul style="list-style-type: none"> From a systems and logistics point of view the Group has prepared for a no deal Brexit and could deal with such a scenario or a softer version. The financial implications (trade, duty) remain uncertain but the Group with its advisors has looked at various scenarios and believes it would be able to absorb the possible additional costs.
Major failure at key production site.	Inability to satisfy demand and subsequent loss of sales and profitability.	<ul style="list-style-type: none"> Investment in plant and machinery and training in effective maintenance. Regular planned plant shutdowns (normally twice a year) with a full schedule of maintenance activity. Capability to source most key products from NSK Limited.
Non-compliance with laws and regulations.	Damage to our reputation. Potential fines, penalties and litigation.	<ul style="list-style-type: none"> Operating Committee review of any incident. Ongoing training programme for employees. Group policies and guidance developed and available in local languages.
Aggressive competitor activity – discounting etc.	Loss of market share.	<ul style="list-style-type: none"> Working closely with our key customers particularly in the automotive sector. Continued investment in our products to improve quality and performance.
Loss of key personnel.	Loss of critical experience and skills.	<ul style="list-style-type: none"> Long-term incentive plans for senior management. Remuneration packages reviewed annually. Succession planning in place in all critical functions.
Negative cash flow.	Short-term liquidity problems.	<ul style="list-style-type: none"> The Group has in place flexible short-term loan facilities which would be immediately available (see note 29). Close control of capital expenditure, inventory and accounts receivable.
The pension deficit continues to grow.	Funding requirement increases.	<ul style="list-style-type: none"> The Group continues to make deficit-reducing contributions. The pension scheme was closed to future benefit accrual on 31 December 2016. Investment strategy: move to investing in liability matching assets.
Information Security	Increased sophistication of cyber terrorism and instances of attacks.	<ul style="list-style-type: none"> To achieve accreditation to ISO 27001 Security Standard. Appointed a European Chief Information Security Officer. Improved employee awareness through training. Improved Network robustness, through investment and process change. Enhanced security measures at UK manufacturing plants to continue compliance with Authorised Economic Operator status.
Inflationary pressure	Increase in steel prices. Wage inflation, particularly in Poland.	<ul style="list-style-type: none"> Review & negotiation of employment terms & conditions to retain skills, whilst focussing on control of wage levels to maintain profitability Develop sourcing strategies for steel.
Further down turn in markets in difficult trading conditions	Impact on profitability and cashflow	<ul style="list-style-type: none"> Increased focus on product mix maximisation Volume claim to customers
Increases in pension liability due to GMP Equalisation being applied to transferred out members	The Group has provided its best estimate for Group members impacted. A further charge may need to be made to the financial statements for members who transferred out of the Group's schemes.	<ul style="list-style-type: none"> Await court ruling which is expected in late 2020.

Strategic report for the year ended 31 March 2019 (continued)

Research and development activity

Research and development continues to play a vital role in the Group's success. The Group is engaged in research and development activities designed to develop new products, improve quality and performance and to maintain and improve product competitiveness and profitability. The costs of the research and development activity are borne by the Company.

Future developments

The directors aim to maintain and improve the Group's strength of putting quality at the forefront of its offering. The business environment for the foreseeable future is expected to remain uncertain, with demand from both the industrial machinery business and automotive business to be sluggish. At the same time, we are expecting production for several new car models to start in the automotive business and also production to commence at the new production site in Morocco for the automotive component business. Overall, there will be more focus on recovering profitability of the business and improving cash flow.

Employee involvement

The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in maintaining its performance. The Group encourages the involvement of employees by means of continuous improvement teams and regular communication activities.

Disabled employees

The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Group gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Environmental policy

The Group 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 the Group's customers and taking account of environmental impacts throughout the total life-cycle of its product range.

On behalf of the Board



B Parkinson

Registered office

Belmont Place, Belmont Road
Maidenhead, Berkshire, SL6 6TB

Director, 12 December 2019

Independent auditors' report to the members of NSK Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- NSK Europe Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2019 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Consolidated statement of financial position as at 31 March 2019; the Company balance sheet as at 31 March 2019; the Consolidated income statement for the year ended 31 March 2019; the Consolidated statement of comprehensive income for the year ended 31 March 2019, the Consolidated cash flow statement for the year ended 31 March 2019, and the Consolidated and Company statements of changes in equity for the year ended 31 March 2019; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Independent auditors' report to the members of NSK Europe Limited - continued

Report on the audit of the financial statements - continued

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of NSK Europe Limited - continued

Report on the audit of the financial statements - continued

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

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.

NSK Europe Limited

Independent auditors' report to the members of NSK Europe Limited - continued

Report on the audit of the financial statements - continued

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Keith Harrington (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

12 December 2019

NSK Europe Limited

Consolidated income statement for the year ended 31 March 2019

	Note	2019 €'000	2018 €'000 As restated
Revenue	3	1,023,407	1,067,412
Cost of sales		(820,842)	(855,348)
Gross profit		202,565	212,064
Distribution expenses		(12,971)	(14,668)
Administration expenses – ongoing		(128,452)	(126,992)
Administration expenses – provision for liabilities	20	(1,061)	(7,890)
Administration (expenses) / income – pension arrangements	28	(7,356)	(14,836)
Administration expenses		(136,869)	(149,718)
Operating profit		52,725	47,678
Finance income	4	558	583
Finance costs	4	(992)	(1,635)
Share of profit of an associate	12	196	248
Profit before tax	5	52,487	46,874
Income tax charge	9	(8,776)	(9,937)
Profit for the year		43,711	36,937
Attributable to:			
Owners of the parent		43,649	36,841
Non-controlling interests		62	96
		43,711	36,937

Refer to Note 31 for details of the restatement for the year ended 31 March 2018

NSK Europe Limited

Consolidated statement of comprehensive income for the year ended 31 March 2019

	Note	2019 €'000	2018 €'000 As restated
Profit for the year		43,711	36,937
Other comprehensive (expense) / income			
Exchange differences on translation of foreign operations		(1,097)	(564)
Actuarial (losses) / gains on defined benefit plans	28	(12,363)	12,302
Income tax effect		554	-
Total Other comprehensive (expense) / income net of tax		(12,906)	11,738
Total comprehensive income net of tax		30,805	48,675
Attributable to:			
Owners of the parent		30,743	48,579
Non-controlling interests		62	96
		30,805	48,675

Refer to Note 31 for details of the restatement for the year ended 31 March 2018

NSK Europe Limited

Consolidated statement of financial position as at 31 March 2019

	Note	2019	2018
		€'000	€'000
Assets			As restated
Non-current assets			
Property, plant and equipment	10	205,773	177,480
Intangible assets	11	9,736	10,464
Investment in an associate	12	1,351	1,194
Other financial assets	13	24,507	23,287
Trade and other receivables	15	13,955	14,228
Deferred tax assets	9	23,884	23,906
		<u>279,206</u>	<u>250,559</u>
Current assets			
Inventories	14	178,536	161,993
Trade and other receivables	15	231,305	251,099
Income tax receivables	9	1,197	805
Cash and cash equivalents	16	11,667	22,380
		<u>422,705</u>	<u>436,277</u>
Assets classified as held for sale	17	<u>1,497</u>	<u>5,928</u>
Total assets		<u>703,408</u>	<u>692,764</u>
Current liabilities			
Trade and other payables	18	(150,059)	(174,735)
Interest-bearing loans and borrowings	19	(150,932)	(96,175)
Income tax liabilities	9	(3,005)	(993)
		<u>(303,996)</u>	<u>(271,903)</u>
Net current assets		<u>118,709</u>	<u>164,374</u>
Total assets less current liabilities		<u>399,412</u>	<u>420,861</u>
Non-current liabilities			
Interest-bearing loans and borrowings	19	-	(50,000)
Trade and other payables	18	(5,254)	(4,791)
Retirement benefit obligation	28	(15,561)	(13,197)
Provisions for liabilities	20	(16,501)	(21,504)
Deferred tax liabilities	9	(77)	(155)
		<u>(37,393)</u>	<u>(89,647)</u>
Net assets		<u>362,019</u>	<u>331,214</u>

Refer to Note 31 for details of the restatement for the year ended 31 March 2018

NSK Europe Limited

Consolidated statement of financial position as at 31 March 2019 - Continued

	Note	2019	2018
		€'000	€'000
Equity			As restated
Called up share capital	21	90,364	90,364
Translation reserve	22	(3,229)	(2,132)
Retained earnings	22	271,076	239,236
Equity attributable to owners of the parent		358,211	327,468
Non-controlling interests	22	3,808	3,746
Total equity		<u>362,019</u>	<u>331,214</u>

The Group financial statements on pages 15 to 67 were approved by the Board of Directors on 12 December 2019 and signed on its behalf by:

Refer to Note 31 for details of the restatement for the year ended 31 March 2018



B Parkinson

Director

NSK Europe Limited

Registered number: 02223191

12 December 2019

NSK Europe Limited

Consolidated cash flow statement for the year ended 31 March 2019

	Note (s)	2019 €'000	2018 €'000
Operating activities			As restated
Profit before tax		52,487	46,874
Depreciation and other amortisation	10 & 11	22,465	21,653
Other tangible and intangible asset movements		2,177	1,423
Finance income and expense	4	434	1,052
GMP Equalisation	28	7,810	-
Enhanced transfer value	28	-	15,483
Pension Administration expenses	28	675	-
Pension increase exchange	28	(1,337)	(1,558)
Non-cash movement on investment in associate	12	(196)	(248)
Operating cash flow before changes in working capital, interest and taxation		84,515	84,679
Increase in inventories		(17,159)	(11,950)
Decrease / (Increase) in trade and other receivables		20,067	(16,507)
(Decrease) / increase in trade and other payables		(24,140)	12,973
Movement in pensions		(235)	(200)
Decrease in provisions		(5,003)	(22,272)
Cash generated from operations		58,045	46,723
Interest paid		(664)	(666)
Income tax paid		(6,658)	(7,051)
Net cash generated from operating activities		50,723	39,006
Investing activities			
Interest received		558	583
Purchases of property, plant and equipment	10	(50,339)	(33,366)
Purchase of intangible assets	11	(2,015)	(161)
Movement in available for sale assets	17	4,431	(5,928)
Payments to reduce the retirement benefit obligation	28	(17,240)	(11,307)
Net cash used in investing activities		(64,605)	(50,179)
Financing activities			
Loans (made to) / repaid by a Related Party		(1,600)	500
Repayment of borrowings		-	(12,360)
Proceeds from borrowings		5,137	16,400
Net cash generated from financing activities		3,537	4,540
Net decrease in cash and cash equivalents		(10,345)	(6,633)
Effect of exchange rate fluctuation on cash		(368)	(79)
Cash and cash equivalents at 1 April 18	16	22,380	29,092
Cash and cash equivalents at 31 March 19	16	11,667	22,380

Refer to Note 31 for details of the restatement for the year ended 31 March 2018. Additionally the 2018 column is represented to show additionally the loans (made to) / repaid by a related party.

**Consolidated statement of changes in equity
for the year ended 31 March 2019**

	Called up share capital	Translation reserve	Retained earnings	Equity attributable to owners of the parent	Non- controlling interests	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000
At 1 April 2018	90,364	(2,132)	239,236	327,468	3,746	331,214
Profit for the year	-	-	43,649	43,649	62	43,711
Exchange differences on translation of foreign operations	-	(1,097)	-	(1,097)	-	(1,097)
Actuarial losses on defined benefit plans	-	-	(12,363)	(12,363)	-	(12,363)
Income tax effect	-	-	554	554	-	554
At 31 March 2019	90,364	(3,229)	271,076	358,211	3,808	362,019
At 1 April 2017	90,364	(1,568)	As restated 190,093	As restated 278,889	3,650	As restated 282,539
Profit for the year as previously reported	-	-	42,075	42,075	96	42,171
Prior year restatement – note 31	-	-	(5,234)	(5,234)	-	(5,234)
Profit for the year as restated	-	-	36,841	36,841	96	36,937
Exchange differences on translation of foreign operations	-	(564)	-	(564)	-	(564)
Actuarial gains on defined benefit plans	-	-	12,302	12,302	-	12,302
Income tax effect	-	-	-	-	-	-
At 31 March 2018	90,364	(2,132)	239,236	327,468	3,746	331,214

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

1. Summary of significant accounting policies

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

Basis of accounting

NSK Europe Limited (the Company) is a company domiciled and incorporated in England. The Group financial statements for the year ended 31 March 2019 comprise the Company and its subsidiaries and the Group's interest in an associate company (together referred to as the Group, see note 24 of the consolidated financial statements).

The financial statements are prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable International Financial Reporting Standards, as adopted by the European Union.

The Company accounts are prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and details of the Company accounts, notes to the accounts and principal accounting policies are set out on pages 68 to 87.

These financial statements have been prepared on an accounting basis consistent with that applied in the financial year ended 31 March 2018.

The Group's trading is predominantly within Europe and the company uses the Euro as its functional currency. The financial statements have been prepared using the Euro. The exchange rate of the Euro to Sterling at 31 March 2019 was 1.17 (2018: 1.14). The average during 2019 was 1.13 (2018: 1.13).

Basis of consolidation

The Group financial statements incorporate the financial statements of NSK Europe Limited and entities controlled by the Company and its subsidiaries. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated on consolidation.

There have been no acquisitions or disposals since the date of transition to IFRS.

Statement of compliance

The Group financial statements have been prepared in accordance with IFRS as adopted for use in the EU.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

1. Summary of significant accounting policies - continued

Revenue

Revenue, which arises wholly from the Group's principal activity of the manufacture and sale of bearings and components, represents the invoiced value of goods and services sold, exclusive of trade discounts and value added tax.

Revenue is recognised when the significant risk and reward of ownership has transferred to the customer based on the contract terms.

Property, plant and equipment

Property, plant and equipment is stated at historic purchase cost net of accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the fixed asset and the costs attributable to bringing the fixed asset to its working condition for its intended use. Once an asset has been brought into use its cost, less estimated residual value, is depreciated over its expected useful life.

Assets are written off over the following periods:

Land and buildings:

Freehold land	-	not depreciated
Freehold buildings	-	between 18 and 50 years
Leasehold land and buildings	-	shorter of 50 years and the term of lease
Short leasehold property	-	over period of lease

Assets in progress	-	not depreciated
Plant and machinery	-	between 3 and 15 years
Fixtures and fittings and		
Motor vehicles	-	between 3 and 10 years

Residual value is calculated on prices prevailing at the date of acquisition.

Intangible assets

Research costs are expensed in the income statement as incurred. Development expenditures, on an individual project, are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

1. Summary of significant accounting policies – continued

Intangible assets - continued

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

An intangible asset is derecognised on disposal, or where no future economic benefits are expected from use or disposal. No items were derecognised in either the year ended 31 March 2019 or 31 March 2018.

Intangible assets are written off over the following periods:

Development in progress	-	not amortised
Capitalised software	-	between 5 and 10 years

Amortisation is charged to Administration expenses.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In the Group financial statements the investments in associates is accounted for using the equity method. The consolidated profit and loss account includes the Group's share of associates' profits less losses, while the Group's share of the net assets of the associates is shown in the consolidated balance sheet.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition as follows:

Raw materials & stores:	-	Purchase cost on an average basis.
Work in progress and finished goods:	-	Costs of direct materials and labour plus attributable overheads based on a normal level of activity on an average basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Provision is also made, where necessary, for slow moving and obsolete stock.

Foreign currency

In the financial statements of individual undertakings, transactions denominated in foreign currencies are recorded in their functional currency at the actual exchange rate as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. 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. The results of operations whose financial statements are not drawn up in the local currency of the company are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of such operations are dealt with through reserves.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

1. Summary of significant accounting policies - continued

Taxation

Corporation tax payable is provided on taxable profits at the current rate. The Group's current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow Group companies. The tax benefits or charges arising from the group relief are recognised in the financial statements of the surrendering or recipient companies.

Deferred taxation

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.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future periods has been entered into by the subsidiary.

Retirement benefit obligation

The Group is party to an arrangement whereby one externally managed defined benefit pension scheme is operated for its United Kingdom employees. This scheme was closed to future benefit accrual on the 31 December 2016, with participating members transferred to the Group's defined contribution arrangements. In addition, there are a further three defined benefit schemes operated in Poland providing one off retirement bonuses for employees, and further defined benefit schemes in Germany, France and the Netherlands.

Defined benefit pension scheme liabilities are measured on an actuarial basis using the projected unit basis, discounted at the interest rate applicable to high-quality corporate bonds of the same currency and term as the liabilities. Scheme assets are measured at their fair value. Any surplus or deficit of scheme assets over liabilities is recognised in the balance sheet as an asset or deficit. An asset is only recognised to the extent that the surplus can be recovered through reduced contributions in the future or through refunds from the scheme. Scheme assets are held separately from those of the company in independently administered funds for the Group's primary scheme in the United Kingdom and in the form of an insurance contract with a third-party provider in the case of Germany and the Netherlands.

Notes to the Group financial statements for the year ended 31 March 2019

1. Summary of significant accounting policies - continued

Retirement benefit obligation - continued

The current service costs and any past service costs are charged to the profit and loss account within administrative expenses – staff costs. The expected return on scheme assets less the unwinding of the discount on the scheme liabilities is included in finance costs. Foreign exchange gains or losses arising on schemes held in a currency other than the functional currency of the entity are included in finance income or costs as either an income or expense. Actuarial gains and losses are recognised in the statement of comprehensive income.

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

Leases

The group enters into operating leases. Rentals under operating leases are charged on a straight-line basis over the lease term. Please see page 27 "New standards, amendments and interpretations" for the future accounting treatment of leases.

Financial instruments

Financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the instruments.

The Group has the following classifications of financial assets and liabilities:

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, cash and cash equivalents and loans to related parties) are measured at amortised cost using the effective interest method, less any impairment.

(ii) Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised financial cost of a financial liability and allocating interest expense over the relevant period.

Research and development

Research and development expenditure is written off in the year of expenditure, unless the costs meet the criteria to be capitalised as discussed above in intangible assets.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

1. Summary of significant accounting policies - continued

Provisions

Provision for litigation and other legal matters, reorganisation and environmental restoration are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliability estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in a settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Segmental information

Certain segmental information is presented in note 3 of these Financial Statements. Further detailed segmental discourse is available in the consolidated financial statements of NSK Limited, the ultimate parent company. NSK Europe Limited is a wholly owned subsidiary of NSK Overseas Holdings Company Limited and consequently is exempt from the requirements of IFRS 8 *Operating segments*.

Prior year misstatement

Where a material prior year adjustment is identified the Group will restate the prior year financial statements as required. A prior year misstatement was identified for the year ended 31 March 2019 as explained on page 7 in the Strategic Report and in note 31 of these Financial Statements.

Notes to the Group financial statements for the year ended 31 March 2019

1. Summary of significant accounting policies – continued

New standards, amendments and interpretations

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 April 2017 have had a material impact on the Group. The following standards and interpretations have been issued but have not yet been applied:

IFRS 16 Leases

This standard is effective for accounting periods beginning on or after 1 January 2019 and as such will be applicable to the Group for the year ended 31 March 2020. IFRS 16 'Leases' addresses the definition of a lease. A key change arising from IFRS 16 is that most operating leases will be accounted for on the balance sheet for lessees as an asset with an associated financing liability. The effect on the Group was to increase the value of Right to Use Assets and Financing Liabilities by €18.0 million on 1 April 2019. The transition method used by the Group was the modified retrospective approach, meaning prior periods were not impacted by this change but rather there is an opening adjustment to assets and liabilities on the date of adoption. The effect of this standard on the Group's profit and loss is insignificant.

2. Critical accounting judgements and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Retirement benefit obligation

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The assumptions adopted reflect historical experience and current trends. Further details about the assumptions used are given in note 28.

The United Kingdom defined benefit plan was closed to future benefit accrual on 31 December 2016.

Additionally there is a risk Increases in pension liability due to GMP Equalisation being applied to transferred out members (Note 28).

Notes to the Group financial statements for the year ended 31 March 2019

2. Critical accounting judgements and estimation uncertainty – continued

Development costs

Development costs are capitalised as intangible assets in accordance with the accounting policy in note 1. Initial capitalisation of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 March 2019, the carrying amount of capitalised development costs was €9.7 million (2018: €10.5 million).

The main project capitalised was an internally developed sales and inventory management system "RAS" and the implementation of the Oracle General Ledger at the Company, sales entities and UK manufacturing plants. Future expenditure will be undertaken on the Oracle General Ledger to be rolled out to the Polish manufacturing entity.

Useful economic lives of tangible assets

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual value of the assets. The bulk of the Group's capital expenditure is incurred at the plants and is depreciated in accordance with NSK Limited's accounting policy of 9 years for Automotive Components and 12 years for Industrial and Automotive Bearings. However, the appropriateness of the charge is assessed regularly and adjusted where necessary.

Inventory provisioning

The Group manufactures and sells standard, special and precision bearings and components to the automotive and engineering industries. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required.

The inventory provisions for slow moving or obsolete stock and net realisable value are first of all calculated automatically by RAS by reference to latest sales prices, quantity of inventory held, historic sales made and forecast orders. The detailed line by line provisions are then reviewed each month by the relevant business unit managers who assess whether the provisions are adequate or overstated based on additional information they will have.

Impairment of debtors

The Group makes an estimate of the recoverable value of trade and other debtors. When assessing the impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. At the end of every reporting quarter the adequacy of the bad debt provision has to be formally confirmed by the relevant senior finance manager responsible.

Notes to the Group financial statements for the year ended 31 March 2019

2. Critical accounting judgements and estimation uncertainty – continued

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Group has tax loss carry forwards amounting to €51.5 million (2018: €37.0 million) which have not been recognised as the Group does not consider that it is probable they can be used.

Rebates and other sales provisions

The Group has contractual arrangement with many of its major customers which require rebates to be paid should certain conditions be met. The Group can use RAS to estimate some elements of the provision required but uncertainties exist over the timing and likelihood of future orders which could materially impact the assessment made. As at 31 March 2019 the accrual held for rebates and price adjustments was €6.0 million (2018: €6.2 million).

Provision for litigation and other legal matters

The Group holds a provision for the settlement of litigation and other legal matters in the amount of €15.7 million (2018: €21.0 million) – note 20 of the Group financial statements. The provision represents the company's best estimate of the potential liabilities associated with such claims taking into account the circumstances, uncertainties and many complexities of each case and the final amount might be materially different from this provision. The primary uncertainty relates to the population of customers who may or may not claim.

Capitalised upfront payments

The Group capitalises upfront payments paid to a customer when it has been made demonstrably in respect of future business and is not in respect of a distinct good or service. Where such amounts are not refundable the amounts capitalised are reviewed to ensure there has been no impairment of the underlying contract, as the impairment review is based on assumption relating to future sales it is uncertain in nature. As at 31 March 2019 the value of upfront payments capitalised and non-refundable was €0.5 million (2018: €1.5 million). However, this value is expected to rise materially during the course of the next financial year.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

3. Revenue

	2019 €'000	2018 €'000
Group revenue by destination is as follows:		
United Kingdom	127,851	148,003
Germany	261,758	267,063
France	178,587	187,088
Spain	19,705	32,326
Italy	87,206	88,988
Poland	29,756	37,147
Slovakia	4,918	6,761
Turkey	16,343	19,889
Czech Republic	20,152	17,115
Russia	37,181	32,111
Hungary	46,242	43,976
Middle East	34,009	40,432
Rest of Europe	95,741	86,053
Rest of the World	63,958	60,460
	<u>1,023,407</u>	<u>1,067,412</u>

	2019 €'000	2018 €'000
Group revenue by class of business is as follows:		
Industrial bearings and machinery	392,204	387,456
Automotive bearings and components	631,203	679,956
	<u>1,023,407</u>	<u>1,067,412</u>

4. Finance income and costs

	2019 €'000	2018 €'000
Interest receivable on bank deposits	181	199
Interest receivable from group undertakings and related parties	377	384
Finance income	<u>558</u>	<u>583</u>
Interest payable on bank loans:		
- long-term loans	199	191
- short-term loans	460	363
Group interest payable	5	8
Charges in respect of securitisation agreement	-	40
Exchange loss arising on the deficit in the pension schemes	108	307
Interest on pension liabilities, net of expected return on pension scheme assets	220	662
Other interest paid	-	64
Group interest and similar charges payable	992	1,635
Share of associate interest payable	-	-
Finance cost	<u>992</u>	<u>1,635</u>
Net Finance (cost)	(434)	(1,052)

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

5. Profit before tax

Profit before tax is stated after charging / (crediting):

	Note	2019 €'000	2018 €'000 As restated
Staff costs	8	154,258	145,829
Depreciation on property, plant and equipment	10	19,767	18,396
Amortisation of intangible assets	11	2,698	3,257
Impairment of property, plant and equipment	10	833	1,423
Operating lease rentals			
- plant and machinery		822	781
- other		4,459	4,848
Rent receivable		(194)	(194)
Auditors' remuneration	6	1,577	1,612
Gains on disposal of fixed assets		(3)	(13)
Foreign exchange losses / (gains) (excluding on net pension deficit)		3,069	1,167
Litigation and other provisions	7	1,061	7,890
GMP Equalisation	28	7,810	-
Enhanced transfer value	28	-	15,483
Pension increase exchange	28	(1,337)	(1,558)
Exchange loss arising on the deficit in the pension schemes	4	108	307

6. Auditors' remuneration

During the year the group (including its overseas subsidiaries) obtained the following services from the company's auditors and their associates:

	2019 €'000	2018 €'000
Fees payable to company's auditors for the audit of parent company and consolidated financial statements	277	360
Fees payable to company's auditors and its associates for other services:		
The audit of company's subsidiaries pursuant to legislation	493	597
Audit-related assurance services	341	296
Other non-audit services	255	251
Tax compliance services	211	108
	<u>1,577</u>	<u>1,612</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

7. Litigation and other provisions

Included within Administrative expenses are the following amounts:

	2019 €'000	2018 €'000
Reorganisation charge	1,042	1,620
Litigation and other legal matters	-	6,250
Environmental provisions	19	20
	<u>1,061</u>	<u>7,890</u>

The tax impact on the reorganisation charge in 2019 was to reduce the tax cost by €221,400 (2018: €312,000). The movement in these provisions is shown in note 20.

The reorganisation charge in the period related to termination payments primarily for senior management in Germany. There were also other redundancy payments in both Germany and the UK. The remaining provision is expected to be utilised in 2018/19

8. Staff costs

	2019 Number	2018 Number
The average monthly number of employees (including executive directors) employed by the Group were:		
Manufacturing	3,124	2,973
Research and development	214	211
Sales	406	402
Administration	453	469
	<u>4,197</u>	<u>4,055</u>
	2019 €'000	2018 €'000
Wages and salaries	132,303	125,249
Social security costs	17,702	16,607
Other pension costs	4,253	3,973
	<u>154,258</u>	<u>145,829</u>

Other pension costs include the current service charge and payments to defined contribution plans.

The staff costs exclude the expense incurred in respect of GMP equalisation and the pension liability management exercises (note 28).

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

8. Staff costs - continued

Directors' remuneration

Remuneration

Directors' remuneration – emoluments paid in respect of directors of the Group totalled €1,259,190 (2018: €3,021,518). Included in the aggregate emoluments are €12,472 (2018: €48,840) of company payments to defined contribution schemes. Also, included in the aggregate emoluments are amounts for loss of office of €226,153 (2018: €467,616).

Directors resident in Japan who served during the year received remuneration from NSK Limited; these amounts are provided in the financial statements of NSK Limited and it is not possible to determine how much of the remuneration relates to services provided to NSK Europe Limited.

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2019	2018
	€	€
Aggregate emoluments	764,658	2,043,870

The highest paid director is not a member of a defined benefit pension scheme. Included in the aggregate emoluments of the highest paid director is €nil (2018: €37,500) of company payments to a defined contribution scheme.

No director is accruing benefits under defined benefit pension schemes (2018: nil). One director is a member of the defined contribution scheme (2018: two).

Notes to the Group financial statements for the year ended 31 March 2019

9. Income tax charge

Income tax on the profit and loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the income tax for the year, using rates enacted, or substantially enacted at the balance sheet date, and any adjustments to the tax payable in respect of previous years.

Judgement is required in determining the provision for income taxes. There are many transactions and calculations whose ultimate tax treatment is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes are likely to be due. The Group recognises deferred tax assets and liabilities based on estimates of future taxable income and recoverability.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is calculated using tax rates enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which these temporary differences can be utilised.

	2019 €'000	2018 €'000
Current tax:		
Overseas tax	8,261	6,335
Share of associates tax	39	50
Total current tax	8,300	6,385
Deferred tax:		
Total deferred tax	476	3,552
Total income tax charge in the Income Statement	8,776	9,937

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

9. Income tax charge - continued

Total tax charge is reconciled to the UK rate 19% (2018: 19%) of profit before tax as follows:

	2019 €'000	2018 €'000 As restated
Profit before taxation	52,487	46,874
Profit before tax multiplied by the standard rate of tax in the United Kingdom at 19% (2018: 19%)	9,973	8,906
<i>Effects of:</i>		
Expenditure not deductible for tax purposes	(128)	87
Adjustment in respect of foreign tax rates	2,242	1,772
Utilisation of non-recognised deferred tax timing differences	(3,763)	(1,021)
Other corporate income taxes	280	211
Prior period adjustments	172	(18)
Total tax charge	8,776	9,937

On 1 April 2017 the UK Corporation tax rate reduced to 19% and the rate will further reduce to 17% on 1 April 2020. Accordingly, the company's profits for this accounting period, but for the availability of tax losses brought forward, would have been taxed at 19% and in future periods will be taxed at the announced lower rates should there be insufficient tax losses available for offset in such periods.

Current tax assets and liabilities

	2019 €'000	2018 €'000
Income tax receivables	1,197	805
Income tax liabilities	(3,005)	(993)
	(1,808)	(188)

Deferred tax balances

	2019 €'000	2018 €'000
Deferred tax assets	23,884	23,906
Deferred tax liabilities	(77)	(155)
	23,807	23,751

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

9. Income tax - continued

	Opening balance	Recognised in Income statement	Recognised in OCI	Exchange	Closing balance
	1 April 2018				31 March 2019
	€'000	€'000	€'000	€'000	€'000
Accelerated capital allowances	1,661	1,510	-	31	3,202
Other short term timing difference	3,773	(1,599)	-	(48)	2,126
Pension	2,960	(735)	554	(5)	2,774
Tax losses	15,357	348	-	-	15,705
	23,751	(476)	554	(22)	23,807
Deferred tax asset	23,906	(554)	554	(22)	23,884
Deferred tax liability	(155)	78	-	-	(77)
	23,751	(476)	554	(22)	23,807

	1 April 2017	Recognised in Income statement	Exchange	31 March 2018
	€'000	€'000	€'000	€'000
Accelerated capital allowances	1,986	(328)	3	1,661
Other short term timing difference	2,320	1,460	(7)	3,773
Pension	4,641	(1,680)	(1)	2,960
Tax losses	18,356	(2,999)	-	15,357
	27,303	(3,547)	(5)	23,751
Deferred tax asset	27,557	(3,646)	(5)	23,906
Deferred tax liability	(254)	99	-	(155)
	27,303	(3,547)	(5)	23,751

Deferred tax not recognised

	2019 €'000	2018 €'000
		As restated
Accelerated capital allowances	(6,352)	(4,852)
Pension	(4,528)	(7,898)
Other short term timing differences	(32)	(1,409)
Effect of losses carried forward	(9,799)	(9,245)
	(20,711)	(23,404)

The potential deferred tax asset has not been recognised as the recovery is uncertain.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

10. Property, plant and equipment

	Land and buildings	Assets in progress	Plant and machinery	Fixture and fittings and motor vehicles	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At 1 April 2017	104,314	27,480	397,510	59,164	588,468
Additions	1,832	29,879	1,053	602	33,366
Exchange movement	(25)	-	21	(7)	(11)
Transferred from assets in progress	3,655	(21,138)	14,436	3,047	-
Transferred from intangible assets	-	139	-	-	139
Adjustments	2	-	319	(326)	(5)
Scrapped	(149)	-	(6,035)	(4,896)	(11,080)
Disposals	-	-	-	(29)	(29)
At 31 March 2018	109,629	36,360	407,304	57,555	610,848
Additions	356	48,907	615	461	50,339
Exchange movement	(106)	-	(122)	(34)	(262)
Transferred from assets in progress	1,164	(33,544)	28,991	3,389	-
Adjustments	(2)	(65)	-	88	21
Reclassification	(209)	-	1,379	(1,170)	-
Scrapped	(795)	(1,123)	(8,982)	(4,914)	(15,814)
Disposals	-	-	(196)	(26)	(222)
At 31 March 2019	<u>110,037</u>	<u>50,535</u>	<u>428,989</u>	<u>55,349</u>	<u>644,910</u>
Accumulated depreciation			As restated		As restated
At 1 April 2017	60,986	-	318,029	45,756	424,771
Exchange movement	-	-	14	(7)	7
Charge for the year	2,394	-	12,571	3,431	18,396
Impairment	-	-	1,423	-	1,423
Adjustments	(95)	-	(3)	(22)	(120)
Scrapped	(149)	-	(6,035)	(4,896)	(11,080)
Disposals	-	-	-	(29)	(29)
At 31 March 2018	63,136	-	325,999	44,233	433,368
Exchange movement	(4)	-	(84)	(31)	(119)
Charge for the year	2,586	-	13,687	3,494	19,767
Impairment	-	-	703	130	833
Reclassification	-	-	767	(767)	-
Adjustments	(2)	-	41	(18)	21
Scrapped	(675)	-	(8,932)	(4,908)	(14,515)
Disposals	-	-	(192)	(26)	(218)
At 31 March 2019	<u>65,041</u>	<u>-</u>	<u>331,989</u>	<u>42,107</u>	<u>439,137</u>
Net book value			As restated		As restated
31 March 2019	<u>44,996</u>	<u>50,535</u>	<u>97,000</u>	<u>13,242</u>	<u>205,773</u>
31 March 2018	<u>46,493</u>	<u>36,360</u>	<u>81,305</u>	<u>13,322</u>	<u>177,480</u>
1 April 2017	<u>43,328</u>	<u>27,480</u>	<u>79,481</u>	<u>13,408</u>	<u>163,697</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

11. Intangible assets

	Development in progress €'000	Capitalised software €'000	Total €'000
Cost			
At 1 April 2017	1,719	22,795	24,514
Additions	3	158	161
Exchange movement	-	1	1
Transferred from assets in progress	(941)	941	-
Transferred to tangibles assets	(139)	-	(139)
Adjustments	-	(2)	(2)
Scrapped	-	(1,044)	(1,044)
At 31 March 2018	642	22,849	23,491
Additions	1,702	313	2,015
Exchange movement	-	(6)	(6)
Transferred from development in progress	(1,166)	1,166	-
Scrapped	-	(1,173)	(1,173)
At 31 March 2019	<u>1,178</u>	<u>23,149</u>	<u>24,327</u>
Accumulated amortisation			
At 1 April 2017	-	10,815	10,815
Exchange movement	-	1	1
Charge for the year	-	3,257	3,257
Adjustments	-	(2)	(2)
Scrapped	-	(1,044)	(1,044)
At 31 March 2018	-	13,027	13,027
Exchange movement	-	(6)	(6)
Charge for the year	-	2,698	2,698
Scrapped	-	(1,128)	(1,128)
At 31 March 2019	<u>-</u>	<u>14,591</u>	<u>14,591</u>
Net book value			
31 March 2019	<u>1,178</u>	<u>8,558</u>	<u>9,736</u>
31 March 2018	<u>642</u>	<u>9,822</u>	<u>10,464</u>
31 March 2017	<u>1,719</u>	<u>11,980</u>	<u>13,699</u>

The capitalised software cost is primarily in respect of the Group's development of an in-house inventory and sales management system – "RAS" and the roll out of Oracle in the Group's sales entities and UK and Polish manufacturing plants.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

12. Investment in an associate

The Group has a 25% stake in NSK Needle Bearing Poland Sp.z.o.o.

	€'000
Associate	
As at 1 April 2017	985
Share of profit before taxation	248
Share of taxation	(50)
Foreign exchange	11
At 31 March 2018	1,194
Share of profit before taxation	196
Share of taxation	(39)
Foreign exchange	-
At 31 March 2019	<u>1,351</u>

The directors believe that the carrying value of the investment is supported by its underlying net assets.

13. Other financial assets

	2019	2018
	€'000	€'000
Loan to related parties	<u>24,507</u>	<u>23,287</u>

The Group has made the following loans to NSK Limited subsidiary entities:

- A PLN 77 million loan (2018: PLN 77 million) which translates to €17.9 million (2018: €18.3 million). Interest is based on the Warsaw Inter Bank Offer Rate ("WIBOR") + 0.5% rate at the start of each month and interest due is settled within the month. The maturity date of the loan is 21 December 2019.
- A €6.6 million loan (2018: €5.0 million). Interest is based on the Euribor +0.5%, with a minimum rate of 0.2%. The total facility under this loan is €10 million and it is refreshed each quarter based on the requirements of the Borrower.

The Group does not hold any security over the loans made.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

14. Inventories

Inventories are valued at the lower of cost and net realisable value. The cost is calculated based on an average cost. Work in progress and goods for resale include attributable overheads. The Group makes provision for slow moving and obsolete stock based on the system requirement (see note 2) adjusted for the judgement of the relevant senior business unit manager.

	2019 €'000	2018 €'000 As restated
Raw materials and stores	42,453	39,439
Work in progress	18,647	17,161
Finished goods and goods for resale	126,513	116,476
Gross inventories	187,613	173,076
Inventory provisions	(9,077)	(11,083)
	<u>178,536</u>	<u>161,993</u>

There is no material difference between the replacement cost of inventory and its carrying value.

Inventories recognised as expenses during the year are €819.0 million (2018: €850.1 million).

During the year inventory provisions were decreased by €2.0 million (2018: increased by €1.3 million).

15. Trade and other receivables

	2019 €'000	2018 €'000
Gross trade receivables	197,089	214,437
Rebates and other sales provisions	(5,961)	(6,156)
Provision for doubtful debts	(1,058)	(1,297)
Trade receivables	190,070	206,984
Receivables from an associate	22	32
Receivables from other related parties	17,687	13,938
Vat receivable	10,695	16,365
Prepayments and accrued income	9,685	10,864
Other receivables	3,146	2,916
Trade and other receivables falling due within one year	231,305	251,099
Other receivables falling due after more than one year	13,955	14,228
Total trade and other receivables	<u>245,260</u>	<u>265,327</u>

Other receivables falling due after one year includes €9.1 million (2018: €9.1 million) of amounts paid to customers, which are to be amortised against future revenue from the linked contract.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

15. Trade and other receivables - continued

The balance for receivables from related parties is the amounts due from NSK Limited and NSK Limited entities which are not consolidated within this Group.

Trade receivables are non-interest bearing and are generally on 30-120 day terms.

The average credit period on sales is 69 days (2018: 69 days). No interest is charged on overdue trade receivables, however sales made from Germany receive an early settlement discount. Allowance for doubtful debts are recognised based on estimated irrecoverable amounts determined by reference to any ongoing discussion with the customer, past default experience of the counterparty and an analysis of the counterparty's current financial position.

New customers are subject to an external credit scoring system before being accepted and are then placed on an appropriate risk determined debt limit. The Group's largest customers are the large automotive producers Renault, Nissan, Suzuki, Volkswagen and Daimler. These customers tend to settle debt promptly as it falls due and in some countries on a self-bill basis. As at 31 March 2019 the largest amount outstanding from an individual customer amounted to less than 11% of the outstanding value of receivables (2018: less than 15%).

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. Only where there has been a change in credit quality or there is other reason to doubt full recovery will take place is a provision made. No other financial assets are past due as at 31 March 2019 (2018: nil).

Age of trade receivables that are past due but not impaired

	2019	2018
	€'000	€'000
1-30 days	8,236	9,534
30-60 days	1,834	3,566
60-90 days	1,570	2,096
90-180 days	391	2,364
180 days +	79	1,534
Total	<u>12,110</u>	<u>19,094</u>

Movement in the allowance for doubtful debts

	2019	2018
	€'000	€'000
Balance at the start of the year	1,297	920
Impairment losses recognised on receivables	444	480
Amounts written off during the year as uncollectable	(292)	(43)
Impairment losses reversed or amounts recovered	(381)	(170)
Other	(10)	110
Balance at the end of the year	<u>1,058</u>	<u>1,297</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

16. Cash and cash equivalents

	2019 €'000	2018 €'000
Cash at bank and at hand	<u>11,667</u>	<u>22,380</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. There were no amounts held on short-term deposit (2018: nil).

The Group has a cash-pooling arrangement covering the majority of its companies. The net amount overdrawn was €16.8 million (2018: €16.8 million). This is included in Interest-bearing borrowings.

There is €0.4 million (2018: €0.4 million) of cash which is restricted in use.

17. Assets classified as held for sale

	2019 €'000	2018 €'000
Assets classified as held for sale	<u>1,497</u>	<u>5,928</u>

During the year the Group incurred development expenditure on Oracle which will be recharged to other NSK Limited Group companies at cost. All prior year items were sold.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

18. Trade and other payables

	2019 €'000	2018 €'000 As restated
Trade payables	27,712	23,413
Payables to an associate	461	608
Payables to other related parties	90,938	95,805
Accruals and deferred income	23,706	19,912
Other taxation and social security	6,103	5,523
VAT payables	-	6,493
Other payables	1,139	22,981
Trade and other payables due within one year	150,059	174,735
Other payables falling due after more than one year	5,254	4,791
Total trade and other payables	155,313	179,526

Trade payables are non-interest bearing and are normally settled on 30-90 day terms.

Other payables include an amount of €nil million (2018: €22.0 million) in respect of agreed customer settlements (see note 20).

The balance for payables from related parties is the amounts due from NSK Limited and NSK Limited entities which are not consolidated within this Group. NSK Limited balances are paid on 90-day terms and other related parties including the associate on 60-day terms.

VAT and other taxation and social security is payable within 30 days of the month end.

Other payables are payroll amounts deducted and due to the employee pension funds within 30 days of the month end. Other long-term payables are in respect of long-term non-pension related employee obligations primarily in Italy and Poland.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

19. Interest-bearing loans and borrowings

		2019	2018
		€'000	€'000
Unsecured – at amortised cost			
Short-term loans	(i)	100,932	96,175
Short-term portion of long-term loan	(ii)	50,000	-
Unsecured – at amortised cost			
Long-term loans	(ii)	-	50,000
Interest-bearing loans and borrowings		<u>150,932</u>	<u>146,175</u>

Summary of borrowing arrangements

- (i) Floating rate loans are held with two (2018: two) banks. Interest rate ranges from 0.34% to 2.81% (2018: 0.35% to 2.12%), with a weighted average interest of 0.84% (2018: 0.46%). The loans are held in the following currencies:

	2019	2018
	€'000	€'000
Sterling	6,991	2,286
US Dollar	7,120	4,058
Euro	70,000	73,000
Euro – related party (iii)	16,821	16,831
Total short-term unsecured	<u>100,932</u>	<u>96,175</u>

The loans are refreshed regularly with the core banking partners depending on currency requirements.

- (ii) A €50 million short-term portion of a long term loan. The loan is repayable in full on 9 January 2020 and bears an interest rate of 0.40% (2018: 0.38%).
- (iii) The Euro borrowing of €16.8 million (2018: €16.8 million) relates to an inter-company pooled balance with NSK Steering Systems Europe Ltd ("NSSE").

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

20. Provisions for liabilities

	2019 €'000	2018 €'000
Litigation and other legal matters	15,672	20,989
Reorganisation provisions	540	233
Environmental provisions	289	282
	<u>16,501</u>	<u>21,504</u>

Litigation and other legal matters

	2019 €'000	2018 €'000
Beginning of year	20,989	43,275
Charged to profit and loss	-	6,250
Transferred to other payables	-	(22,048)
Utilised in the year	(5,317)	(6,488)
End of year	<u>15,672</u>	<u>20,989</u>

The provision for litigation and other legal matters relates to (i) ongoing and potential third party claims in connection with the European Commission decision against various bearing manufacturers, including NSK Limited (the ultimate parent company of NSK Europe Limited), NSK Europe Limited and NSK Deutschland GmbH (a subsidiary of NSK Europe Limited), for their participation in activities that were found to have violated European Competition Law in relation to the sales of automotive bearings; and (ii) provision for other customer claims. The provision represents the company's best estimate of the potential liabilities associated with such claims taking into account the circumstances, uncertainties and many complexities of each case and the final amount might be materially different from this provision.

Reorganisation provision:

	2019 €'000	2018 €'000
Beginning of year	233	234
Charged to profit and loss account	1,042	1,620
Utilised in the year	(735)	(1,621)
End of year	<u>540</u>	<u>233</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

20. Provisions for liabilities - continued

The charge in the period related to termination payments primarily for senior management in Germany. There were also other redundancy payments in both Germany and the UK. The remaining provision is expected to be utilised in 2018/19.

Environmental provisions:

	2019 €'000	2018 €'000
Beginning of year	282	267
Charged to profit and loss account	19	20
Utilised in the year	(12)	(5)
End of year	<u>289</u>	<u>282</u>

The environmental provision relates to groundwater contamination at a site in Germany. The provision is long-term in nature and will be utilised over a number of years.

21. Called up share capital

	2019 €'000	2018 €'000
Authorised		
Ordinary shares of £1 each	<u>469,800</u>	<u>469,800</u>
Allotted and fully paid		
Ordinary shares of £1 each	<u>90,364</u>	<u>90,364</u>

The issued number of £1 shares is 58,526,000 (2018: 58,526,000) translated at historic rate of 1.544 Euros.

22. Reserves

	2019 €'000	2018 As restated €'000
Translation reserve	(3,229)	(2,132)
Retained earnings	<u>271,076</u>	<u>239,236</u>
Reserves attributable to owners of the parent	<u>267,847</u>	<u>237,104</u>
Non-controlling interests	<u>3,808</u>	<u>3,746</u>
Total reserves	<u>271,655</u>	<u>240,850</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

23. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

Trading transactions

	Sales of goods		Purchases of goods	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
NSK Limited	5,581	4,093	147,629	160,349
Associate	7	15	5,155	6,198
Other NSK Limited subsidiaries	42,074	29,450	223,535	334,437
	<u>47,662</u>	<u>33,558</u>	<u>376,319</u>	<u>500,984</u>

In addition royalty fees of €15.6 million (2018: €16.5 million) were paid to NSK Limited.

During the year the Group recharged NSK Limited €8.6 million (2018: Nil) for expenses incurred in respect of the development of Oracle to NSK Limited.

The following balances were outstanding at the end of the year:

	Amounts owed by related parties		Amounts owed to related parties	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
NSK Limited	4,423	3,969	45,297	39,630
Associate	22	32	461	608
Other NSK Limited subsidiaries	13,264	9,969	45,641	56,175
	<u>17,709</u>	<u>13,970</u>	<u>91,399</u>	<u>96,413</u>

Loans to related parties

	2019	2018
	€'000	€'000
Other subsidiaries of NSK Limited (note 13)	24,507	23,287

Loans from related parties

	2019	2018
	€'000	€'000
Other subsidiaries of NSK Limited (note 19)	16,821	16,831

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

23. Related party transactions - continued

Compensation of key management

The remuneration of the directors and other members of key personnel during the year was:

	2019 €'000	2018 €'000
Fees and salary	2,178	2,510
Pension costs including pension sacrifice	110	151
Benefits in kind	427	421
Loss of office	226	821
Bonus	957	2,083
	<u>3,898</u>	<u>5,986</u>

The key management are considered to be the Directors of the Company and members of the Operating Committee; see page 7 for members in the current year.

There were no other transactions with key management.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

24. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting year are as follows:

	Country of incorporation	Principal activity	Proportion of ordinary shares held 2019 %	Proportion of ordinary shares held 2018 %
Subsidiary undertakings				
NSK UK Limited	England and Wales	Sales	100	100
NSK Bearings Europe Limited	England and Wales	Manufacturing	100	100
NSK Precision UK Limited	England and Wales	Manufacturing	100	100
NSK Bearings Limited	England and Wales	Non-trading	100	100
RHP Bearings Europe Limited	England and Wales	Non-trading	100	100
NSK Steering Systems Europe (UK) Limited	England and Wales	Non-trading	100	100
NSK Steering Systems Europe Limited	England and Wales	Non-trading	100	100
NSK Spain SA	Spain	Sales	100	100
NSK Italia SpA	Italy	Sales	100	100
NSK France SAS	France	Sales	100	100
NSK European Distribution Centre BV	Netherlands	Distribution	100	100
NSK Netherlands BV	Netherlands	Non-trading	100	100
NSK Deutschland GmbH *	Germany	Sales	100	100
NEUWEG Fertigung GmbH *	Germany	Manufacturing	100	100
NSK Europa Holding GmbH	Germany	Non-trading	100	100
NSK Bearings Middle East Trading Co. Limited	Turkey	Sales	100	100
NSK South Africa (Pty) Limited	South Africa	Sales	100	100
NSK Bearings Polska S.A.	Poland	Manufacturing	95.5	95.5
NSK Polska Sp.z.o.o.	Poland	Sales	100	100
Iskra Centrum Narzedzi Specjalnych Sp.z.o.o.	Poland	Manufacturing	100	100
NSK Steering Systems Morocco	Morocco	Manufacturing	100	100**
Associates				
NSK Needle Bearing Poland Sp.z.o.o.	Poland	Manufacturing	25	25

The registered address of the Group's subsidiary and associate companies is set out in note 30.

* Held directly by NSK Europa Holding GmbH. All other investments are held directly by NSK Europe Limited.

** Incorporated 17 April 2019

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

25. Operating leases arrangements

The Group as a lessee

Operating leases relate to property and equipment for periods between 1 to 10 years. The Group does not have an option to purchase any property or equipment at the expiry of the lease period.

	2019 €'000	2018 €'000
Payments recognised as an expense		
Minimum lease payments	5,281	5,629
	<u>5,281</u>	<u>5,629</u>
Non-cancellable operating lease commitments expiring:		
Within one year	4,288	4,043
Later than one year and not later than five years	8,928	9,670
Later than five years	2,767	3,369
	<u>15,983</u>	<u>17,082</u>

26. Commitments for expenditure

Capital commitments:

	2019 €'000	2018 €'000
Contracted but not provided for	<u>10,598</u>	<u>7,150</u>

27. Contingent liabilities

Guarantees provided to third parties

	2019 €'000	2018 €'000
HMRC, VAT, Customs etc. guarantees	2,348	2,317
Rental guarantee	-	196
Warehouse development guarantee	605	605
Bank overdraft guarantee	-	83
	<u>2,953</u>	<u>3,201</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

28. Pension arrangements

The Group is party to eight defined benefit pension schemes operating for certain employees. These are the:

- NSK Pension Scheme (disclosed in note below as UK scheme). The UK scheme was closed to future benefit accrual on 31 December 2016.

Subsequent to the closure the Group commenced two liability management exercises:

- (i) Firstly, the Enhanced Transfer Value ("ETV") exercise, where eligible members received a 15% enhancement to their accrued benefit should they move their obligation to an alternative provider.
- (ii) The second exercise the Pension Increase Exchange ("PIE") provided eligible members with an increase in the current value of their pensions in exchange for a reduction in some future benefits.

Phase 1 of the above exercises was completed in 2016/17. Phase 2 of the above exercises took place during 2017/18. Phase 3 of the above exercise took place in the last quarter of 2018/19.

Members opting to exercise either option were required to seek independent financial advice, which was paid for by the Group.

- Three schemes in Poland (disclosed in notes below as part of Mainland Europe Schemes).
- The EDC One-off Retirement Scheme (disclosed in notes below as part of Mainland Europe Schemes).
- The Neuweg One-off Retirement Scheme (disclosed in notes below as part of Mainland Europe Schemes).
- The Allianz Unterstuetzungskasse (disclosed in notes below as part of Mainland Europe Schemes).
- The French pension scheme (disclosed in notes below as part of Mainland Europe Schemes).

The assets of the schemes are held in separate funds where applicable.

During the year the Group booked a charge of €7.8 million for amending the scheme liabilities to equalise pension benefits for men and women in relation to guaranteed minimum pension ("GMP") benefits.

Notes to the Group financial statements
for the year ended 31 March 2019

28. Pension arrangements - continued

Breakdown of amounts recognised in the income statement and other comprehensive income 31 March 2019

	UK Scheme	Mainland Europe Schemes	Total
	€'000	€'000	€'000
<i>Operating cost:</i>			
Current service cost	-	208	208
GMP Equalisation	7,810	-	7,810
Pension increase exchange	(1,337)	-	(1,337)
Administrative expenses	675	-	675
Cost recognised within operating profit	<u>7,148</u>	<u>208</u>	<u>7,356</u>
<i>Financing cost:</i>			
Interest on net defined benefit liability	16	204	220
Foreign currency translation loss / (gain)	265	(157)	108
Finance income	281	47	328
Costs recognised in the income statement	<u>7,429</u>	<u>255</u>	<u>7,684</u>
<i>Re-measurement in other comprehensive expense</i>			
Return on scheme assets (higher) / lower than that recognised in finance cost	(10,652)	270	(10,382)
Actuarial loss due to changes in financial assumptions	20,229	16	20,245
Actuarial loss due to changes in demographic assumptions	-	15	15
Actuarial loss due to liability experience	2,022	463	2,485
Total amount recognised in other comprehensive income	<u>11,599</u>	<u>764</u>	<u>12,363</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

28. Pension arrangements - continued

Breakdown of amounts recognised in the income statement and other comprehensive income 31 March 2018

	UK Scheme €'000	Mainland Europe Schemes €'000	Total €'000
<i>Operating cost:</i>			
Current service cost	-	194	194
Past service cost	142	-	142
Pension increase exchange	(1,558)	-	(1,558)
Enhanced transfer value	15,483	-	15,483
Administrative expenses	575	-	575
Cost recognised within operating profit	<u>14,642</u>	<u>194</u>	<u>14,836</u>
<i>Financing cost:</i>			
Interest on net defined benefit liability	461	201	662
Foreign currency translation loss / (gain)	331	(24)	307
Finance cost	<u>792</u>	<u>177</u>	<u>969</u>
Costs recognised in the income statement	<u>15,434</u>	<u>371</u>	<u>15,805</u>
<i>Re-measurement in other comprehensive expense</i>			
Return on scheme assets lower/ (higher) than that recognised in finance cost	14,925	(583)	14,342
Actuarial (gain) / loss due to changes in financial assumptions	(14,253)	63	(14,190)
Actuarial (gain) / loss due to changes in demographic assumptions	(9,243)	(1)	(9,244)
Actuarial (gain) / loss due to liability experience	<u>(4,616)</u>	<u>1,406</u>	<u>(3,210)</u>
Total amount recognised in other comprehensive income	<u>(13,187)</u>	<u>885</u>	<u>(12,302)</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

28. Pension arrangements – continued

Changes to the present value of the defined benefit obligation

	UK Scheme	Mainland Europe Scheme	Total	UK Scheme	Mainland Europe Scheme	Total
	2019	2019	2019	2018	2018	2018
	€'000	€'000	€'000	€'000	€'000	€'000
Opening defined benefit obligation	459,193	12,456	471,649	631,275	10,977	642,252
Settlements (ETV)	-	-	-	(122,152)	-	(122,152)
GMP Equalisation	7,810	-	7,810	-	-	-
Pension increase exchange	(1,337)	-	(1,337)	(1,558)	-	(1,558)
Current service cost	-	208	208	-	194	194
Past service cost	-	-	-	142	-	142
Interest expense on defined benefit obligation	12,118	214	12,332	13,797	211	14,008
Contribution by scheme participants	-	4	4	-	4	4
Actuarial loss / (gain) on scheme liabilities arising from changes in demographic assumptions	-	15	15	(9,243)	(1)	(9,244)
Actuarial loss / (gain) on scheme liabilities arising from changes in financial assumptions	20,229	16	20,245	(14,253)	63	(14,190)
Actuarial loss / (gain) on scheme liabilities arising from experience	2,022	463	2,485	(4,616)	1,406	(3,210)
Net benefits paid	(19,924)	(424)	(20,348)	(14,625)	(374)	(14,999)
Exchange loss / (gain)	9,456	(157)	9,299	(19,574)	(24)	(19,598)
Closing defined benefit obligation	489,567	12,795	502,362	459,193	12,456	471,649

Changes to the fair value of scheme assets during the year

	UK Scheme	Mainland Europe Scheme	Total	UK Scheme	Mainland Europe Scheme	Total
	2019	2019	2019	2018	2018	2018
	€'000	€'000	€'000	€'000	€'000	€'000
Opening fair value of scheme assets	453,596	4,856	458,452	616,618	4,239	620,857
Settlements (ETV)	-	-	-	(137,635)	-	(137,635)
Interest income on scheme assets	12,102	10	12,112	13,336	10	13,346
Re-measurement gains / (losses) on scheme assets	10,652	(270)	10,382	(14,925)	583	(14,342)
Regular contributions by the employer	17,240	443	17,683	11,307	394	11,701
Contributions by scheme participants	-	4	4	-	4	4
Net benefits paid out	(19,924)	(424)	(20,348)	(14,625)	(374)	(14,999)
Administration cost incurred	(675)	-	(675)	(575)	-	(575)
Exchange gain / (loss)	9,191	-	9,191	(19,905)	-	(19,905)
Closing fair value of scheme assets	482,182	4,619	486,801	453,596	4,856	458,452

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

28. Pension arrangements – continued

History of asset values, defined benefit obligation and deficit in the scheme

31 March 2019	UK Scheme	Mainland Europe Schemes	Total
	€'000	€'000	€'000
Defined benefit obligation	(489,567)	(12,795)	(502,362)
Fair value of scheme assets	482,182	4,619	486,801
Deficit in the scheme	<u>(7,385)</u>	<u>(8,176)</u>	<u>(15,561)</u>

31 March 2018	UK Scheme	Mainland Europe Schemes	Total
	€'000	€'000	€'000
Defined benefit obligation	(459,193)	(12,456)	(471,649)
Fair value of scheme assets	453,596	4,856	458,452
Deficit in the scheme	<u>(5,597)</u>	<u>(7,600)</u>	<u>(13,197)</u>

31 March 2017	UK Scheme	Mainland Europe Schemes	Total
	€'000	€'000	€'000
Defined benefit obligation	(631,275)	(10,977)	(642,252)
Fair value of scheme assets	616,618	4,239	620,857
Deficit in the scheme	<u>(14,657)</u>	<u>(6,738)</u>	<u>(21,395)</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

28. Pension arrangements - continued

Changes in the present value of the deficit in the scheme

	UK Scheme	Mainland Europe Schemes	Total
	€'000	€'000	€'000
Deficit in the scheme at 1 April 2017	(14,657)	(6,738)	(21,395)
Current service cost	-	(194)	(194)
Administration cost	(575)	-	(575)
Interest cost	(461)	(201)	(662)
Pension increase exchange	1,558	-	1,558
Settlements	(15,483)	-	(15,483)
Past Service Costs	(142)	-	(142)
Regular contribution by the employer	11,307	394	11,701
Actuarial gains on scheme liabilities arising from changes in demographic assumptions	9,243	1	9,244
Gains / (losses) on scheme liabilities arising from changes in financial assumptions	14,253	(63)	14,190
Actuarial gains /(losses) on scheme liabilities arising from experience	4,616	(1,406)	3,210
Re-measurement (losses) / gains on scheme assets	(14,925)	583	(14,342)
Exchange (loss) / gain	(331)	24	(307)
Deficit in the scheme at 31 March 2018	<u>(5,597)</u>	<u>(7,600)</u>	<u>(13,197)</u>
Current service cost	-	(208)	(208)
Administration cost	(675)	-	(675)
Interest cost	(16)	(204)	(220)
Pension increase exchange	1,337	-	1,337
GMP Equalisation	(7,810)	-	(7,810)
Regular contribution by the employer	17,240	443	17,683
Actuarial losses on scheme liabilities arising from changes in demographic assumptions	-	(15)	(15)
Losses on scheme liabilities arising from changes in financial Assumptions	(20,229)	(16)	(20,245)
Actuarial losses on scheme liabilities arising from experience	(2,022)	(463)	(2,485)
Re-measurement gains / (losses) on scheme assets	10,652	(270)	10,382
Exchange (loss) / gain	(265)	157	(108)
Deficit in the scheme at 31 March 2019	<u>(7,385)</u>	<u>(8,176)</u>	<u>(15,561)</u>

The regular contributions include deficit-reducing contributions of €17.2 million (2018: €11.3 million) equal the deficit reducing contributions of €17.2 million (2018: €11.3 million) disclosed in the cash flow statement.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

28. Pension arrangements - continued

The scheme assets are invested in the following classes

31 March 2019	UK Scheme €'000	Mainland Europe Schemes €'000	Total €'000
Equity securities	19,651	609	20,260
Debt securities	402,181	-	402,181
Real estate	27,549	-	27,549
Cash	32,801	-	32,801
Insurance contracts	-	4,010	4,010
Plan assets at 31 March 2019	482,182	4,619	486,801
31 March 2018	UK Scheme €'000	Mainland Europe Schemes €'000	Total €'000
Equity securities	17,481	585	18,066
Debt securities	395,312	-	395,312
Real estate	28,015	-	28,015
Cash	12,788	-	12,788
Insurance contracts	-	4,271	4,271
Plan assets at 31 March 2018	453,596	4,856	458,452
31 March 2017	UK Scheme €'000	Mainland Europe Schemes €'000	Total €'000
Equity securities	28,278	539	28,817
Debt securities	443,420	-	443,420
Real estate	27,988	-	27,988
Cash	116,932	-	116,932
Insurance contracts	-	3,700	3,700
Plan assets at 31 March 2017	616,618	4,239	620,857

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

28. Pension arrangements - continued

The main financial assumptions – UK Scheme

	31 March 2019	31 March 2018	31 March 2017
	%	%	%
RPI inflation	3.2	3.1	3.2
CPI inflation	2.1	2.0	2.1
Discount rate for scheme liabilities	2.5	2.7	2.6
Rate of increase in pension payment	3.7	3.1	3.1

The financial assumptions are made up of yield curves of term-dependant rates, which reflect the nature of the scheme's liabilities. The figures presented above are the average rates applying across each yield curve.

The main demographic assumptions – UK Scheme

	31 March 2019	31 March 2018	31 March 2017
Mortality table adopted	SAPS 2 "All lives" table CMI2017 Core projections (S(k)=7.5) with a long-term future improvement rate of 1.25% p.a. with the following scaling applied: Male pensioners 108% Female pensioners 104% Male deferreds 122% Female deferreds 113% Male active deferreds 112% Female active deferreds 98%	SAPS 2 "All lives" table CMI2017 Core projections (S(k)=7.5) with a long-term future improvement rate of 1.25% p.a. with the following scaling applied: Male pensioners 108% Female pensioners 104% Male deferreds 122% Female deferreds 113% Male active deferreds 112% Female active deferreds 98%	SAPS 2 "All lives" table CMI2015 projections with a long term future improvement of 1.25% pa with the following scaling applied: Male pensioners 110% Female pensioners 105% Male actives/ deferred 120% Female actives / deferred 110%
Life expectancy for male currently aged 65	21.4 years	21.3 years	21.5 years
Life expectancy for female currently aged 65	23.6 years	23.5 years	23.9 years
Life expectancy at 65 for male deferred currently aged 45	21.9 years	21.8 years	22.5 years
Life expectancy at 65 for female deferred currently aged 45	24.6 years	24.5 years	25.4 years
Cash commutation	Members assumed to exchange 25% of their pension for a cash lump sum at retirement.	Members assumed to exchange 25% of their pension for a cash lump sum at retirement.	Members assumed to exchange 25% of their pension for a cash lump sum at retirement.

The mortality assumptions are based on the socio-economic profile and recent mortality experience of scheme members and allow for future improvements in mortality rates.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

28. Pension arrangements - continued

Sensitivity to key assumptions – UK Scheme

The UK scheme is now closed to future benefit accrual. However, the anticipated cost of the ongoing interest charge is expected to result in a profit and loss charge for 2019/20 of €0.3 million. The expected employer contribution for 2019/20 is €18.0 million. The following table shows the sensitivity of this charge to changes in key assumptions:

	Impact on the 2019/20 expected charge (increase cost) / decrease cost				
	Service cost (closed to future accrual)	Administration cost	Net interest	Total Profit and loss impact	Increase in deficit
	€'000	€'000	€'000	€'000	€'000
Following a 0.5% decrease in the discount rate	-	-	-	-	48,897
Following a 0.5% increase in the inflation assumption	-	-	-	-	32,178
Following a 0.5% increase in future life expectancy	-	-	-	-	24,378

Defined Contribution Schemes

In addition, there are various United Kingdom and Overseas defined contribution schemes. The total contributions made to these schemes in the year to 31 March 2019 were €3.1 million (2018: €2.6 million) and €1.0 million (2018: €1.1 million).

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

29. Financial instruments

a. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern. The group maintains a strong capital base with an appropriate debt to equity mix to support the future development of the business.

The Group is not subject to any externally imposed capital requirement.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. The gearing ratio at the end of the reporting year was as set out below:

	2019 €'000	2018 €'000 As restated *
Debt (i)	(126,425)	(122,888)
Cash and cash equivalent	11,667	22,380
Net debt	<u>(114,758)</u>	<u>(100,508)</u>
Equity (ii)	<u>362,019</u>	<u>331,214</u>
Net debt to equity ratio	<u>31.70%</u>	<u>30.35%</u>

* The prior year equity figure has been reduced by €6,250,000 to reflect a late change that was made to the financial results but which was not reflected in 29 (a) and for the prior year adjustments disclosed in Note 31.

(i) Debt is defined as the long and short-term borrowings of the Group as set out in note 19, less borrowings provided to related parties as set out in note 13.

(ii) Equity includes all capital and reserves of the group.

The increase in gearing ratio from 30.35% to 31.70% during the financial year was primarily due to increasing significantly the amount expended on Tangible fixed assets and the continued programme of deficit reducing pension payments.

The movement on net debt during the year is analysed below:

	2019 €'000	2018 €'000
Net debt at 1 April	(100,508)	(89,256)
Net cash flow before financing activities	(13,882)	(11,173)
Exchange	(368)	(79)
Net debt at 31 March	<u>(114,758)</u>	<u>(100,508)</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

29. Financial instruments - continued

b. Categories of financial instruments

The Group does not use any derivative financial instruments. Categories of financial assets and financial liabilities held are presented below:

	2019 €'000	2018 €'000
Financial assets		
Cash and cash equivalents	11,667	22,380
Other financial assets	<u>240,287</u>	<u>252,259</u>
	<u>251,954</u>	<u>274,639</u>
		As restated
Financial liabilities		
Amortised cost	<u>300,142</u>	<u>313,685</u>

c. Financial risk management objectives

The Group's operations expose it to a variety of financial risks that include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group, 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 Group from such risks.

Given the size of the Group, 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 Group's finance department. The department has a policy that sets out specific guidelines to manage foreign exchange risk, interest rate risk and credit risk, and circumstances where it would be appropriate to use financial derivative instruments to manage these. However, no such derivative instruments were used in the current or prior year.

d. Market risk

The Group's operations expose it primarily to the financial risks of changes in foreign currency rates (page 60 & 61) and interest rates (page 61).

The Group is also exposed to commodity price risk as a result of its operations. However, given the size of the Group's operations, the costs of managing exposure to commodity price risk through the use of hedging would exceed any potential benefits. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

There has been no significant change to the Group's exposure to market risks or the manner in which these risks are managed.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

29. Financial instruments – continued

e. Foreign currency risk management

The Group has operations in Europe, South Africa and the Middle East and is exposed to foreign exchange selling and operational risks primarily with respect to Sterling, the US Dollar and the Polish Zloty. Furthermore, the group purchases product from Japan which exposes it to foreign exchange purchase risks with respect to the Japanese Yen. The Group monitors its exposure in conjunction with the treasury department of its ultimate holding company.

The Group principally manages foreign exchange risk by trying to match internal transactions and/or balances. The Group has not used forward exchange contracts in the current or prior year.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
	As restated			
Sterling (including UK scheme net pension deficit)	31,621	26,663	18,038	20,079
Zloty	23,961	5,276	22,000	10,368
Japanese Yen	3,272	717	909	237
US Dollar	25,176	27,909	30,609	34,001
Others	1,596	1,465	2,736	3,548
	<u>85,626</u>	<u>62,030</u>	<u>74,292</u>	<u>68,233</u>

Foreign currency sensitivity analysis

The Group is mainly exposed to movements in Sterling, Polish Zloty and the US Dollar.

The following table details the Group's sensitivity to a 5% increase and decrease in Euro against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or borrower. A positive number below indicates an increase in profit where the Euro strengthens 5% against the relevant currency. For a 5% weakening of the Euro against the relevant currency, there would be a comparable, but opposite, impact on the profit.

	Sterling		Zloty		US Dollar	
	2019	2018	2019	2018	2019	2018
	€'000	€'000	€'000	€'000	€'000	€'000
	As restated					
Profit and loss	679	329	(98)	(255)	(272)	(305)

Notes to the Group financial statements for the year ended 31 March 2019

29. Financial instruments – continued

Foreign currency sensitivity analysis – continued

The Group's exposure to foreign currency risk has remained broadly similar to the prior year.

In management's opinion, the sensitivity analysis is representative of the inherent foreign exchange risk in the business.

f. Interest rate risk management

The Group draws down on available facilities, on a short-term basis, and these loans are provided on a floating rate basis. These loans are refreshed during the year depending on currency requirements (see note 19).

Additionally the Group has a long-term loan at a rate of 0.40%, maturing in January 2020.

The Group believes the mix between long-term and short-term borrowing is appropriate and does not currently engage in interest rate swaps or hedges.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined on the exposure to interest rate for the non-derivative instruments at the end of the reporting year. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting year was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group's:

- Profit for the year ended 31 March 2019 would decrease / increase by €421,000 (2018: €431,000).
- Other comprehensive income would not be impacted.

g. Credit risk management

Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. We have a policy of only dealing with creditworthy counterparties. We regularly monitor our exposures and the credit ratings of our counterparties, and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers spread over EMEA. We carry out ongoing credit evaluation on the financial condition of accounts receivable.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

29. Financial instruments – continued

h. Liquidity risk management

Ultimate responsibility for managing liquidity risk rests with the Board of Directors. We manage this risk by maintaining adequate reserves and banking facilities by continually monitoring forecast and actual cash flows and by matching the maturity profile of financial assets and liabilities.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for financial liabilities with agreed repayment periods. We have drawn up these tables based on the undiscounted cash flows, using the earliest day on which we can be required to pay. The table includes both interest and principal cash flows.

31 March 2019	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total	Carrying amount
Financial liabilities	%	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Non-interest bearing	-	56,992	78,613	8,451	354	4,800	149,210	149,210
Fixed interest rate instruments	0.40	50	-	50,101	-	-	50,151	50,000
Variable interest rate instruments	0.38	32	65	291	102,482	-	102,870	100,932
		<u>57,074</u>	<u>78,678</u>	<u>58,843</u>	<u>102,836</u>	<u>4,800</u>	<u>302,231</u>	<u>300,142</u>
31 March 2018								
		As restated	As restated	As restated			As restated	As restated
Non-interest bearing	-	67,382	88,700	6,737	691	4,000	167,510	167,510
Fixed interest rate instruments	0.35	15	29	131	50,109	-	50,284	50,000
Variable interest rate instruments	0.46	37	74	332	97,944	-	98,387	96,175
		<u>67,434</u>	<u>88,803</u>	<u>7,200</u>	<u>148,744</u>	<u>4,000</u>	<u>316,181</u>	<u>313,685</u>

Prior year amended to show fixed interest rate to two decimal places.

On 9 January 2017 the Group secured a long-term facility for €50 million. The loan is repayable in full on 9 January 2020 and bears an interest rate of 0.35%.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

29. Financial instruments – continued

h. Liquidity risk management – continued

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net assets basis.

31 March 2019	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total	Carrying amount
	%	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial assets								
Non-interest bearing	-	103,527	85,132	22,266	4,855	-	215,780	215,780
Variable interest rate instruments	1.65	32	63	18,100	6,653	-	24,848	24,507
		<u>103,559</u>	<u>85,195</u>	<u>40,366</u>	<u>11,508</u>	<u>-</u>	<u>240,628</u>	<u>240,287</u>
31 March 2018								
Non-interest bearing	-	121,055	81,086	21,729	5,102	-	228,972	228,972
Variable interest rate instruments	1.65	32	64	288	24,824	-	25,208	23,287
		<u>121,087</u>	<u>81,150</u>	<u>22,017</u>	<u>29,926</u>	<u>-</u>	<u>254,180</u>	<u>252,259</u>

i. Financing facilities

	2019 €'000	2018 €'000
Short-term loans (excluding inter-company)		
- Amount used	84,111	79,344
- Facility	233,604	231,720
Long-term loans		
- Amount used	50,000	50,000
- Facility	50,000	50,000

The long-term is repayable on 9 January 2020

Overdraft facility

- Amount used	-	-
- Facility	7,922	7,236

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

30. Ultimate parent undertaking and controlling party and registered address of subsidiary undertakings

The immediate parent undertaking is NSK Limited. NSK Overseas Holdings Company Limited, the previous parent undertaking, transferred its holding in NSK Europe Limited to NSK Limited on 1 March 2019.

The directors' regard the ultimate parent company and controlling entity to be NSK Limited, a company incorporated in Japan.

NSK Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2019. The consolidated financial statements of NSK Limited are available from Nissei Building, 1-6-3 Ohsaki, Shinagawa-ku, Tokyo 141-8560, Japan.

The registered address of the Group's subsidiary and associate companies is set out below:

Subsidiary undertakings

NSK UK Limited
NSK Bearings Europe Limited
NSK Precision UK Limited
NSK Bearings Limited
RHP Bearings Europe Limited
NSK Steering Systems Europe (UK) Limited
NSK Steering Systems Europe Limited
NSK Spain SA

NSK Italia SpA

NSK France SAS

NSK European Distribution Centre BV
NSK Netherlands BV
NSK Deutschland GmbH
NEUWEG Fertigung GmbH
NSK Europa Holding GmbH
NSK Bearings Middle East Trading Co. Limited

NSK South Africa (Pty) Limited
NSK Bearings Polska S.A.
NSK Polska Sp. z o.o.
Iskra Centrum Narzedzi Specjalnych Sp.z.o.o.
NSK Steering Systems Morocco

Registered address

Belmont Place, Belmont Road, Maidenhead, SL6 6TB, UK
Belmont Place, Belmont Road, Maidenhead, SL6 6TB, UK
Belmont Place, Belmont Road, Maidenhead, SL6 6TB, UK
Belmont Place, Belmont Road, Maidenhead, SL6 6TB, UK
Belmont Place, Belmont Road, Maidenhead, SL6 6TB, UK
Belmont Place, Belmont Road, Maidenhead, SL6 6TB, UK
Belmont Place, Belmont Road, Maidenhead, SL6 6TB, UK
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C /Tarragona, 161 Cuerpo Bajo, 2a Planta, 08014,
Barcelona, Spain
Via Garibaldi 215, Garbagnate Milanese (Milano), 20024
Italy
Quartier de l'Europe, 2 Rue Guinevere, 78283 Guyancourt,
France
De Kroonstraat 38, 5048 AP Tilburg, Netherlands
De Kroonstraat 38, 5048 AP Tilburg, Netherlands
Harkortstrasse 15, 40880 Ratingen, Germany
Ehinger Str. 5, 89597 Munderkingen, Germany
Harkortstrasse 15, 40880 Ratingen, Germany
19 Mayıs Mah, Atatürk Cad, Ulya Engin Is, Merkezi No 68
Kat 6, PK 34736, Kozyatag I – Istanbul, Turkey
25 Galaxy Ave, Frankenwald, Sandton, 2196, South Africa
Kielce, ul. Jagiellonska 109, Poland
25-711 Kielce, ul. Karczowkowska 41, Poland
Kielce, ul. Jagiellonska 109, Poland
LLOT 79, C-1/79 C-10, Hangar NON 79 C-4, Tangier,
Morocco.

Associate

NSK Needle Bearing Poland Sp.z.o.o.

25-734 Kielce, ul. Jagiellonska 109, Poland

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2019

31. Prior year misstatement

As noted on page 7 of the Strategic report following the identification of certain control weaknesses a prior year adjustment of €5.2 million has been booked. The key financial balances which have been restated are set out below:

Impact on Consolidated statement of financial position	2018	2018	2018
	As previously reported	Adjustment	Restated
	€'000	€'000	€'000
Property, plant and equipment (i)	178,903	(1,423)	177,480
Inventories (ii)	164,877	(2,884)	161,993
Trade and other payables (iii)	(178,599)	(927)	(179,526)
Non impacted balances	171,267	-	171,267
Net assets	336,448	(5,234)	331,214

Impact on Consolidated income statement	2018	2018	2018
	As previously reported	Adjustment	Restated
	€'000	€'000	€'000
Cost of sales	(850,114)	(5,234)	(855,348)
Non impacted balances	892,285	-	892,285
Profit for the year	42,171	(5,234)	36,937

Impact on Consolidated cash flow statement	2018	2018	2018
	As previously reported	Adjustment	Restated
	€'000	€'000	€'000
Profit before tax	52,108	(5,234)	46,874
Other tangible and intangible asset movements	-	1,423	1,423
Increase in inventories	(14,834)	2,884	(11,950)
Increase in trade and other payables	12,046	927	12,973
Non impacted balances	(26,940)	-	(26,940)
Cash and cash equivalents	22,380	-	22,380

- (i) Property, plant and equipment that should have been impaired in 2018 due to no intended use at the UK plant.
- (ii) Inventory, primarily work in progress, incorrectly valued in the manufacturing system.
- (iii) Understated accruals primarily for goods received not invoiced.

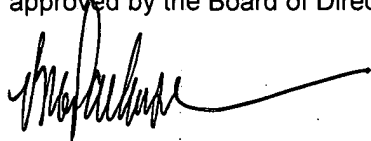
Additionally, a further €4.5 million correction has been adjusted in 2019 as it could not accurately be attributed to any one period. No material adjustments were necessary to the financial position as at 31 March 2017.

NSK Europe Limited

Company balance sheet as at 31 March 2019

	Note	2019 €'000	2018 €'000
Fixed assets			
Intangible assets	6	10,545	15,654
Tangible assets	7	9,495	8,128
Investments	8	174,655	174,655
Debtors	11	9,166	9,438
		<u>203,861</u>	<u>207,875</u>
Current assets			
Deferred tax assets	9	23,184	22,192
Inventories	10	111,396	100,579
Debtors	11	367,188	381,381
Cash at bank and in hand		22,120	79,702
		<u>523,888</u>	<u>583,854</u>
Creditors: amounts falling due within one year	12	(540,689)	(557,973)
Net current (liabilities) / assets		<u>(16,801)</u>	<u>25,881</u>
Total assets less current liabilities		<u>187,060</u>	<u>233,756</u>
Creditors: amounts falling due after more than one year	12	-	(50,000)
Provisions for liabilities	13	(15,707)	(21,182)
Pension liability	14	(2,118)	(1,604)
Net assets		<u>169,235</u>	<u>160,970</u>
Capital and reserves			
Called up share capital	15	90,363	90,363
Profit and loss account	16	78,872	70,607
Total shareholders' funds		<u>169,235</u>	<u>160,970</u>

The company has taken advantage of the exemption in the Companies Act 2006 Section 408 not to present its own profit and loss account. The financial statements on pages 68 to 87 were approved by the Board of Directors on 12 December 2019 and signed on its behalf by:



B Parkinson

Director
NSK Europe Limited
Registered number: 02223191

12 December 2019

NSK Europe Limited

Company statement of changes in equity for the year ended 31 March 2019

	Called up share capital	Profit and loss account	Total shareholder's funds
	€'000	€'000	€'000
At 1 April 2017	90,363	40,917	131,280
Profit for the year	-	26,305	26,305
Actuarial gains on defined benefit plans	-	3,385	3,385
Income tax effect	-	-	-
Total other comprehensive income	-	3,385	3,385
Total comprehensive income	-	29,690	29,690
At 31 March 2018	90,363	70,607	160,970
Profit for the year	-	10,909	10,909
Actuarial losses on defined benefit plans	-	(3,198)	(3,198)
Income tax effect	-	554	554
Total other comprehensive expense	-	(2,644)	(2,644)
Total comprehensive income	-	8,265	8,265
At 31 March 2019	90,363	78,872	169,235

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

1. General information

Company

NSK Europe Limited (the Company) is a company domiciled and incorporated in England. It is a private company limited by shares. The registered address is Belmont Place, Belmont Road, Maidenhead, SL6 6TB UK.

Information included in the Group accounts

The following information referenced below is included in the Group financial statements and has not been duplicated in the company financial statements:

(i)	Basis of Accounting	Note 1 of the Group accounts.
(ii)	Registered office	Disclosed in the Directors' report within the Group accounts.
(iii)	Principle activity	Disclosed in the Directors' report within the Group accounts.
(iv)	Auditors' remuneration	Note 6 of the Group accounts.
(v)	List of subsidiaries	Note 24 & 30 of the Group accounts
(vi)	Directors' emoluments	Note 8 and Note 23 of the Group accounts.
(vii)	Ultimate parent undertaking and controlling entity	Note 30 of the Group accounts

2. Statement of compliance

The individual financial statements of NSK Europe Limited have been prepared in compliance with UK GAAP, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the large and medium-sized Companies and Groups (Accounts and Reports) Regulation 2008 (SI 2008/410).

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own Profit and Loss Account.

3. Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- (i) From preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- (ii) From the financial instrument disclosures, required under FRS 102 paragraphs 11.39 and 11.48A and paragraphs 12.26 and 12.29, as the information is provided in the consolidated financial statements disclosures;
- (iii) From disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

4. Summary of significant accounting policies

Revenue

Revenue, which arises wholly from the Company's principal activity of the manufacture and sale of bearings and components, represents the invoiced value of goods and services sold, exclusive of trade discounts and value added tax.

Revenue is recognised when the significant risk and reward of ownership has transferred to the customer based on the contract terms.

Tangible assets

Tangible assets stated at historic purchase cost net of accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the fixed asset and the costs attributable to bringing the fixed asset to its working condition for its intended use. Once an asset has been brought into use its cost, less estimated residual value, is depreciated over its expected useful life.

Assets are written off over the following periods:

Land and buildings:

Freehold land	-	not depreciated
Freehold buildings	-	between 18 and 50 years
Leasehold land and buildings	-	shorter of 50 years and the term of lease
Short leasehold property	-	over period of lease

Assets in progress	-	Not depreciated
Plant and machinery	-	between 3 and 15 years
Fixtures and fittings and		
Motor vehicles	-	between 3 and 10 years

Residual value is calculated on prices prevailing at the date of acquisition.

Inventories

Inventories, which consist of finished goods, are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Provision is also made, where necessary, for slow moving and obsolete stock.

Foreign currency

In the financial statements of the Company, transactions denominated in foreign currencies are recorded in their functional currency (Euro) at the actual exchange rate as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. 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.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

4. Summary of significant accounting policies - continued

Retirement benefit obligation

The Company is party to an arrangement whereby one externally managed defined benefit pension scheme is operated for its United Kingdom employees. This scheme was closed to future benefit accrual on the 31 December 2016, with participating members transferred to the Company's defined contribution arrangements.

Defined benefit pension scheme liabilities are measured on an actuarial basis using the projected unit basis, discounted at the interest rate applicable to high-quality corporate bonds of the same currency and term as the liabilities. Scheme assets are measured at their fair value. Any surplus or deficit of scheme assets over liabilities is recognised in the balance sheet as an asset or deficit. An asset is only recognised to the extent that the surplus can be recovered through reduced contributions in the future or through refunds from the scheme. Scheme assets are held separately from those of the company in independently administered funds for the group's primary scheme in the United Kingdom.

Intangible assets

Research costs are expensed in the income statement as incurred. Development expenditures, on an individual project, are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. An intangible asset is derecognised on disposal, or where no future economic benefits are expected from use or disposal. Intangible assets are written off over the following periods:

Capitalised software	-	between 5 and 10 years
Development in progress	-	not amortised.

Amortisation is charged to Administration expenses.

Prior year adjustment

Where a material prior year adjustment is identified the Company will restate the prior year financial statements as required.

5. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

5. Critical accounting judgements and estimation uncertainty - continued

Critical judgements in applying the entity's accounting policy

(i) Multi-employer defined pension scheme

Certain employees participate in a multi-employer defined benefit pension scheme with other companies in the UK. In the judgement of the directors, the Company can reasonably allocate plan assets and liabilities with the assistance of our actuaries. Accordingly, the scheme is accounted for as a defined benefit scheme.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(ii) Retirement benefit obligation

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. This scheme was closed to future benefit accrual on the 31 December 2016, with participating members transferred to the Group's defined contribution arrangements. However, the underlying scheme assets and liabilities can still materially change.

The assumptions adopted reflect historical experience and current trends. See note 14 for the disclosures relating to the defined benefit pension scheme.

(iii) Inventory provisioning

The Company sells standard, special and precision bearings and components to the automotive and engineering industries via its subsidiary companies. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. The inventory provisions for slow moving or obsolete stock and net realisable value are first of all calculated automatically by our inventory management system by reference to latest sales prices, quantity of inventory held, historic sales made and forecast orders. The detailed by line provisions are then reviewed each month by the relevant senior business unit managers who assess whether the provisions are adequate or overstated based on additional information they will have.

(iv) Provision for litigation and other legal matters

The Company holds a provision for settlement of litigation and other legal matters in the amount of €15.7 million (2018: €21.0 million) – note 13 of the Company financial statements. The provision represents the Company's best estimate of the potential liabilities associated with such claims taking into account the circumstances, uncertainties and many complexities of each case and the final amount might be materially different from this provision.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

6. Intangible assets

	Development in progress €'000	Capitalised software €'000	Assets classified as held for sale €'000	Total €'000
Cost or valuation				
At 1 April 2018	559	19,575	5,928	26,062
Additions	1,677	60	4,143	5,880
Disposals	-	-	(8,574)	(8,574)
Transfer from tangible assets	19	(107)	-	(88)
Scrapped	-	(718)	-	(718)
Transfer from development in progress	(1,080)	1,080	-	-
At 31 March 2019	1,175	19,890	1,497	22,562
Accumulated amortisation				
At 1 April 2018	-	10,408	-	10,408
Charge for the year	-	2,327	-	2,327
Scrapped	-	(718)	-	(718)
At 31 March 2019	-	12,017	-	12,017
Net book value				
At 31 March 2019	1,175	7,873	1,497	10,545
At 31 March 2018	559	9,167	5,928	15,654

7. Tangible assets

	Land and buildings €'000	Assets in progress €'000	Plant and machinery €'000	Fixture and fittings and motor vehicles €'000	Total €'000
Cost or valuation					
At 1 April 2018	5,081	268	7,794	12,950	26,093
Additions	-	2,973	3	5	2,981
Adjustments	(22)	-	-	-	(22)
Transfer (from) / to intangibles assets	-	(19)	-	107	88
Transfers from assets in progress	-	(1,185)	444	741	-
Scrapped	-	-	(357)	(3,008)	(3,365)
At 31 March 2019	5,059	2,037	7,884	10,795	25,775
Accumulated depreciation					
At 1 April 2018	2,428	-	5,178	10,359	17,965
Charge for the year	128	-	490	1,074	1,692
Adjustments	(15)	-	-	-	(15)
Scrapped	-	-	(356)	(3,006)	(3,362)
At 31 March 2019	2,541	-	5,312	8,427	16,280
Net book value					
At 31 March 2019	2,518	2,037	2,572	2,368	9,495
At 31 March 2018	2,653	268	2,616	2,591	8,128

The book value of land and buildings comprises €2.4 million (2018: €2.7 million) which is freehold, and €nil (2018: €nil) which is leasehold.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

7. Intangible assets - continued

During the year the Company incurred development expenditure on Oracle which will be recharged to other NSK Limited Group companies at cost.

8. Investments

The Company holds investments in subsidiary undertakings as set out in note 24 of the Group accounts.

	€'000
Subsidiary undertakings – cost	
At 1 April 2018	280,473
Additions	-
At 31 March 2019	<u>280,473</u>
Subsidiary undertakings – impairment	
At 1 April 2018	106,170
Provision for impairment	-
At 31 March 2019	<u>106,170</u>
Subsidiary undertakings - net book value	
At 31 March 2019	<u>174,303</u>
At 31 March 2018	<u>174,303</u>
Associates	
At 1 April 2018	352
Additions	-
Disposals	-
At 31 March 2019	<u>352</u>
Total Investments – net book value	
At 31 March 2019	<u>174,655</u>
At 31 March 2018	<u>174,655</u>

The directors believe that the carrying value of investments is supported by their underlying net assets, or their discounted future cash flows.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

9. Deferred tax asset

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which these temporary differences can be utilised.

	Opening balance	Recognised in profit and loss account	Recognised in OCI	Closing balance
	1 April 2018			31 March 2019
	€'000	€'000	€'000	€'000
Accelerated capital allowances	3,509	1,499	-	5,008
Other short term timing difference	33	(27)	-	6
Pension	2,328	(657)	554	2,225
Tax losses	16,322	(377)	-	15,945
	<u>22,192</u>	<u>438</u>	<u>554</u>	<u>23,184</u>
Deferred tax asset	<u>22,192</u>	<u>438</u>	<u>554</u>	<u>23,184</u>
	<u>22,192</u>	<u>438</u>	<u>554</u>	<u>23,184</u>

Deferred tax not recognised

	2019 €'000	2018 €'000
Accelerated capital allowances	-	-
Pension	-	-
Other short term timing differences	-	(1,367)
Tax losses	-	-
	<u>-</u>	<u>(1,367)</u>

The potential deferred tax asset has not been recognised, as the recovery is uncertain.

10. Inventories

	2019 €'000	2018 €'000
Finished goods and goods for resale	<u>111,396</u>	<u>100,579</u>
	<u>111,396</u>	<u>100,579</u>

There is no material difference between the replacement cost of inventory and its carrying value.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

11. Debtors

	2019 €'000	2018 €'000
Trade debtors	4,180	4,338
Provision for doubtful debts	(38)	(191)
Rebates and discounts	(1,005)	(1,271)
Amounts owed by subsidiary undertakings	209,616	229,010
Amounts owed by group undertakings	40,910	35,997
Amounts owed by associated undertakings	2	8
Fixed terms loans to UK group undertakings	103,153	103,072
Other debtors	440	799
Corporation tax receivable	-	-
VAT debtor	5,760	4,776
Prepayments and accrued income	4,170	4,843
Trade and other debtors falling due within one year	367,188	381,381
Other debtors falling due after more than one year	9,166	9,438
Total trade and other debtors	376,354	390,819

From the perspective of the Company, amounts owed by other group undertakings means amounts receivable from other companies outside of the Group which are ultimately owned by NSK Limited. During the year the company provided new loans to certain of its UK subsidiaries. The loans are provided on a rolling one year basis, with the interest rate fixed at the start of each year. Loan balances to group and subsidiary undertakings are charged interest at 50 basis points above the local standard overnight borrowing rate.

Other debtors falling due after one year includes €9.2 million (2018: €9.1 million) of amounts paid to customers, which are to be amortised against future revenue from the linked contract.

12. Creditors

Amounts falling due within one year:

	2019 €'000	2018 €'000
Bank overdrafts	79,591	147,398
Bank loans	134,111	79,344
Bank loans and overdrafts	213,702	226,742
Trade creditors	3,432	3,306
Amounts owed to subsidiary undertakings	188,774	167,593
Amounts owed to group undertakings	81,795	83,907
Fixed terms loans from a UK group undertaking	41,000	41,000
Amounts owed to associated undertakings	10	-
VAT	6,173	7,269
Other creditors	5,803	28,156
	540,689	557,973

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

12. Creditors - continued

From the perspective of the Company, amounts owed to other group undertakings means amounts owed to other companies outside of the Group, which are ultimately owned by NSK Limited. There were no loan balances made to the Company from related parties.

The overdraft in the Company of €79.6 million (2018: €147.4 million) falls within the Group's cash pooling arrangements.

Other creditors include an amount of nil (2018: €22.0 million) in respect of agreed customer settlements (see note 13)

Bank loans

The bank loans are repayable as follows:

	2019 €'000	2018 €'000
Within one year – Short term loans	84,111	79,344
Long term loan repayable within one year	50,000	-
	<u>134,111</u>	<u>79,344</u>

The bank loans by currency:

	Euro €'000	Sterling €'000	US Dollar €'000	Total €'000
31 March 2018	73,000	2,286	4,058	79,344
31 March 2019	120,000	6,990	7,121	134,111

All loans are unsecured. The Floating rate loans are held with two banks (2018: two). Interest rate ranges from 0.34% to 2.81% (2018: 0.35% to 2.12%), with a weighted average interest of 0.54% (2018: 0.46%).

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

12. Creditors - continued

Amounts falling due after more than one year:

Long Term Bank loans

	2019 €'000	2018 €'000
Within one to five year	-	50,000
	<u>-</u>	<u>50,000</u>

On 9 January 2017 the Company secured a long-term loan of €50 million. The loan is repayable in full on 9 January 2020 and bears an interest rate of 0.40%. The Group expects to secure a replacement loan, with the same Financial Institution, at approximately the same level of interest.

13. Provisions for liabilities

	2019 €'000	2018 €'000
Litigation and other legal matters	15,672	20,989
Reorganisation provisions	35	193
	<u>15,707</u>	<u>21,182</u>

Litigation and other legal matters

	2019 €'000	2018 €'000
Beginning of year	20,989	43,275
Charged to profit and loss account	-	6,250
Transferred to other creditors	-	(22,048)
Utilised in the year	(5,317)	(6,488)
End of year	<u>15,672</u>	<u>20,989</u>

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

13. Provisions for liabilities - continued

The provision for litigation and other legal matters relates to (i) ongoing and potential third party claims in connection with the European Commission decision against various bearing manufacturers, including NSK Limited (the ultimate parent company of NSK Europe Limited), NSK Europe Limited and NSK Deutschland GmbH (a subsidiary of NSK Europe Limited), for their participation in activities that were found to have violated European Competition Law in relation to the sales of automotive bearings; and (ii) provision for other customer claims. The provision represents the company's best estimate of the potential liabilities associated with such claims taking into account the circumstances, uncertainties and many complexities of each case and the final amount might be materially different from this provision.

Reorganisation provision:

	2019 €'000	2018 €'000
Beginning of year	193	78
Charged to profit and loss account	35	193
Utilised in the year	(193)	(78)
End of year	<u>35</u>	<u>193</u>

The remaining provision relates to legal costs and will be short-term in nature.

14. Pension liability

The Company is a member of the UK Scheme as described in note 28 of the Group financial statements. This scheme was closed to future benefit accrual on the 31 December 2016, with participating members transferred to the Company's defined contribution arrangements. Below are the Company specific disclosures:

The assets and liabilities of the schemes at 31 March 19

	€'000
Fair value of Scheme assets	138,187
Present value of Scheme liabilities	(140,305)
Pension shortfall	<u>2,118</u>
	€'000
Equities	5,666
Bonds	115,247
Real estate	7,877
Cash	9,397
Market value of Scheme assets	<u>138,187</u>

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

14. Pension liability - continued

The assets and liabilities of the schemes at 31 March 18

	€'000
Fair value of Scheme assets	129,994
Present value of Scheme liabilities	(131,598)
Pension shortfall	<u>1,604</u>

	€'000
Equities	5,010
Bonds	113,290
Real estate	8,029
Cash	3,665
Market value of Scheme assets	<u>129,994</u>

Main Financial Assumptions at each year-end

	18/19	17/18
Rate of increase in pension payment	3.2%	3.1%
Discount rate	2.5%	2.7%
RPI Inflation assumption	3.2%	3.1%

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

14. Pension liability - continued

Analysis of the defined benefit cost for the year ended 31 March 19

	€'000
Analysis of amounts charged / (credited) to operating profit	
Past service cost	-
GMP Equalisation	2,238
Pension increase exchange	(383)
Enhanced transfer value	-
Administration expenses	194
Total operating cost	2,049

Analysis of amounts (credited) / charged to finance income

Expected return on pension scheme assets	(3,466)
Interest on pension scheme liabilities	3,473
Other finance cost	7
Foreign currency translation loss	42
Net finance cost	49

€'000

Analysis of amounts recognised in statement of total recognised gains and losses

Actual return less expected return on pension scheme assets	(3,179)
Experience gains and losses arising on the scheme liabilities	579
Change in assumptions underlying the scheme liabilities	5,798
Actuarial loss recognised in the statement of total recognised gains and losses	3,198

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

14. Pension liability - continued

Analysis of the defined benefit cost for the year ended 31 March 18

	€'000
Analysis of amounts charged / (credited) to operating profit	
Past service cost	142
Pension increase exchange	(404)
Enhanced transfer value	4,021
Administration expenses	150
Total operating cost	3,909

Analysis of amounts (credited) / charged to finance income

Expected return on pension scheme assets	(3,463)
Interest on pension scheme liabilities	3,584
Other finance cost	121
Foreign currency translation loss	2
Net finance cost	123

€'000

Analysis of amounts recognised in statement of total recognised gains and losses

Actual return less expected return on pension scheme assets	(8,237)
Experience gains and losses arising on the scheme liabilities	10,953
Change in assumptions underlying the scheme liabilities	(6,101)
Actuarial gain recognised in the statement of total recognised gains and losses	(3,385)

Analysis of movements in the deficit during the year ended 31 March 19

	€'000
Movement in shortfall during the year:	
Shortfall at the beginning of the year	(1,604)
<i>Movement in the year:</i>	
Administration expenses	(194)
GMP Equalisation	(2,238)
Pension increase exchange	383
Enhanced transfer value	-
Contributions – regular	4,782
Other finance cost	(7)
Foreign currency translation loss	(42)
Actuarial loss	(3,198)
Shortfall in the scheme at the end of the year	(2,118)

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

14. Pension liability - continued

Analysis of movements in the deficit during the year ended 31 March 18

	€'000
Movement in shortfall during the year:	
Shortfall at the beginning of the year	(3,809)
<i>Movement in the year:</i>	
Administration expenses	(150)
Past service cost	(142)
Pension increase exchange	404
Enhanced transfer value	(4,021)
Contributions - regular	2,852
Other finance cost	(121)
Foreign currency translation loss	(2)
Actuarial gain	3,385
Shortfall in the scheme at the end of the year	(1,604)

History of experience gains and losses

	Year ended 31 March 2019 €'000	Year ended 31 March 2018 €'000
History of experience gains and losses:		
Difference between the expected and actual return on scheme assets:		
Amount	3,179	8,237
Percentage of scheme assets	2.3%	6.3%
Experience losses on scheme liabilities:		
Amount	(579)	(10,953)
Percentage of the present value of scheme liabilities	0.4%	8.3%
Total amount recognised in statement of comprehensive income:		
Amount	(3,198)	3,385
Percentage of the present value of scheme liabilities	2.3%	2.6%

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

15. Called up share capital

	2019 €'000	2018 €'000
Authorised		
Ordinary shares of £1 each	<u>469,800</u>	<u>469,800</u>
Allotted and fully paid		
Ordinary shares of £1 each	<u>90,363</u>	<u>90,363</u>

The issued number of £1 shares is 58,526,000 (2018: 58,526,000) translated at historic rate of 1.544 Euro's.

16. Profit and loss account

	Profit and loss account €'000
Beginning of year	70,607
Profit for the financial year	10,909
Pension scheme actuarial gain – other comprehensive income	(3,198)
Income tax effect – other comprehensive income	<u>554</u>
End of year	<u>78,872</u>

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

17. Guarantees and other financial commitments

Capital commitments:

	2019 €'000	2018 €'000
Contracted but not provided for	<u>4,312</u>	<u>2,115</u>

Lease commitments

The total commitment in respect of non-cancellable operating leases is as follows:

	2019 €'000	2018 €'000
Within one year	680	601
Between two and five years	686	882
After five years	-	-
	<u>1,366</u>	<u>1,483</u>

Contingent liabilities:

Bank guarantees

	2019 €'000	2018 €'000
Bank guarantees	816	800
Bank overdraft cross guarantees	<u>37,251</u>	<u>74,835</u>
	<u>38,067</u>	<u>75,635</u>

Various legal entities within the group are party to a bank overdraft cross guarantee arrangement. From the perspective of the Company the contingent liability shown above includes guarantees made to any other entity.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2019

18. Parent company profit and loss account

The company has taken advantage of the exemption in the Companies Act 2006 Section 408 not to present its own profit and loss account. The company's profit for the financial year, determined in accordance with the Act, was €10.9 million (2018: €26.3 million).

19. Staff costs

	2019 Number	2018 Number
The average monthly number of employees (including executive directors) employed by the Company was:		
Research and development	22	25
Sales	52	53
Administration	142	145
	<u>216</u>	<u>223</u>
	2019 €'000	2018 €'000
Wages and salaries	13,372	12,406
Social security costs	1,235	1,064
Other pension costs	1,101	1,030
	<u>15,708</u>	<u>14,500</u>

Other pension costs include the current / past service charge and payments to defined contribution plans.

20. Related party transactions

Transactions between the Company and its subsidiaries which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of other related party transactions are disclosed in note 23 of the Group financial statements.