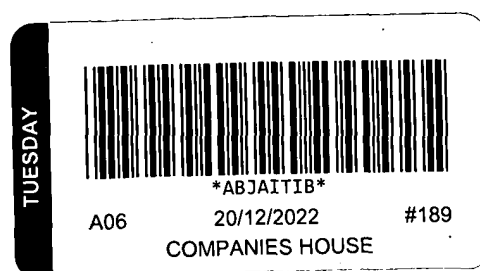


NSK Europe Limited

Registered No: 02223191

NSK Europe Limited Annual report and financial statements for the year ended 31 March 2022



NSK Europe Limited

Annual report and financial statements for the year ended 31 March 2022

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NSK Europe Limited

Directors' report for the year ended 31 March 2022

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 Ltd. ("the parent undertaking"). The Group financial statements for the year ended 31 March 2022 comprise the Company and its subsidiaries and the Group's interest in an associate company (together referred to as the Group, see note 23 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 2022. In accordance with Section 414(c) of the Companies Act 2016 the following matters are reported upon in the Strategic report: financial and business risk management, business review, principal risks and uncertainties, employee involvement, disabled employees, and future developments. The Board Statement on Section 172(1) is also discussed in the Strategic Report.

Principal activities and other matters

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 the Group 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.

Other matters

- Due to the impact of the Russia / Ukraine conflict the Group has written off assets and provided an amount of €7.3 million against expected liabilities as set out in Note 17.
- The Group and Company holds a provision of €2.7 million (2021: €5.4 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. During the year, €1.2 million was utilised and €1.4 million was released. Further details are set out in Note 20 of the Group Financial Statements and note 13 of the Company accounts.
- The impact of COVID-19 was not significant during the year ended 31 March 2022. The Group was impacted much more by the Global Semi-Conductor shortage. This matter is discussed in the Strategic Report.

Dividends

No dividend is recommended for the year ended 31 March 2022 (2021: nil).

NSK Europe Limited

Directors' report for the year ended 31 March 2022 (continued)

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 Ichii	
S Nogami	(Appointed 1 April 2021)
M Komaba	(Appointed 24 August 2022)
U Nass	
S Suzuki	(Resigned 5 January 2022)
B Reimann	
T Parker	(Director and Company Secretary)
T Uchiyama	(Resigned 1 April 2021)

Charitable and political donations

During the year the Group made charitable donations of €11,391 (2021: €3,190) to various local causes in the EMEA region.

There were no political donations in the year (2021: nil).

International financial reporting standards

These financial statements for the year ended 31 March 2022, are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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. The directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) 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 IFRS 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.

NSK Europe Limited

Directors' report for the year ended 31 March 2022 (continued)

Statement of directors' responsibilities (continued)

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' 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 Group had net current assets of €64.3 million as of 31 March 2022 (31 March 2021: net current assets of €116.9 million). Net cash and cash equivalents as referred to in the consolidated cashflow statement on page 24 were €37.2 million as of 31 March 2022 (31 March 2021: €112.8 million). The reduction in cash compared to prior year is in line with expectations as the Group has been replenishing inventory levels and increasing capital expenditure.

In considering the going concern basis of preparation the directors have prepared cash flow forecasts for the Company and the Group for a 12-month period from the date of approval of this report ("the going concern period"). These forecasts reflect an assessment of current and future market conditions and their impact on the Company and Group's cashflows. In addition, the directors have considered alternative forecasting scenarios to evaluate the cash requirements of the Company and Group should cash inflows significantly decrease and/or cash outflows significantly increase from those included in the expected forecast. All forecasts indicate that the Company and the Group will continue to require access to banking facilities.

The banking facilities available to the Company and the Group are part of larger facilities arranged and secured by the Parent Undertaking, NSK Ltd. (note 28). As such NSK Ltd. has confirmed in writing that it has the ability to and will support the Company and the Group as needed to meet their liabilities as they fall due throughout the going concern basis.

In assessing whether the going concern basis is appropriate the directors have taken account of all available information about the future up to 12 months from the date of approval of this report. The directors have concluded that NSK Ltd. can fulfil its obligations under the parental support arrangement set out above on the basis of the financial resources available and the continued profitable and cash generative financial performance of the NSK Ltd. group. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

NSK Europe Limited

Directors' report for the year ended 31 March 2022 (continued)

Trade payables

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

NSK Europe Limited settled its invoices on average in 40 days during the year ended 31 March 2022 (2021: 42 days).

Streamlined Energy and Carbon Reporting (SECR)

NSK Europe Limited complies with the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 and the Companies (Director's Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Our approach to reporting is based on the GHG Protocol Corporate Accounting and Reporting Standard in line with the guidance on SECR.

Our reporting period is for the financial year 1 April 2021 to 31 March 2022, reporting all material GHG emissions using "Tonnes of CO2 equivalent" (tCO2e) as the unit of measurement and reporting energy use in kWh. We have included the energy and emissions for the buildings owned and operated (i.e. those within the financial control boundary).

The results are presented as Location based emissions and Market based emissions, where applicable. Location based reflect the average emissions intensity of grid supplies (using grid average emissions factors) and Market based reflects emissions from electricity where companies have opted to procure green energy or invested in renewable generation.

The methodology used to calculate total energy consumption and carbon emissions has been invoice data for the financial years stated. Where data was not available, estimates have been calculated using historical profiles and details from the Company's evidence pack.

Energy and fuel consumption has been converted to carbon (kgCO2e) using 2021 Department for Environmental Food and Rural Affairs ("DEFRA") published conversion factors. Fuel for Transportation has been converted using statistical data sets published by Department of Transport (www.gov.uk/government/statistical-data-sets/energy-and-environment-data-tables-env).

New DEFRA conversion tables are issued each June and cover January to December. Due to our financial year covering two data sets, to maintain consistency, this report has used the annual published factors covering the most reporting months, being April to December 2021.

In the prior year it was identified that due to lack of data for LPG covering April 2020 to March 2021 the automated system has accrued consumption based on data provided for April 2019 to March 2020.

NSK Europe Limited

Directors' report for the year ended 31 March 2022 (continued)

Streamlined Energy and Carbon Reporting (SECR) (continued)

The Group has selected the most appropriate intensity metric in line with the primary drivers of energy consumption, where possible. For this report we have selected Gross Internal Area (GIA SqM) as the most appropriate to achieve a benchmark

Energy Efficiency Action Taken

The year ended 31 March 2022 saw a number of activities implemented to reduce our total CO₂ emissions within the UK. Most notable was that in September all UK manufacturing plants and Newark offices/warehouse converted over to REGO-backed electricity, which will result in CO₂ reductions of approximately 8,000-10,000 tonnes over a full year. Additionally, the Group:

- continued to introduce improvements to reduce energy consumption and CO₂ emissions with projects implemented to replace the remaining fluorescent lights in the manufacturing plants and warehouses.
- Completed the changeover from LPG to electric powered fork trucks in the UK warehouse.
- Installed wireless connectivity at the Newark manufacturing plant which will be used to facilitate better visualisation of energy consumption using wireless power meters.

Streamline Energy and Carbon Reporting Disclosure

Global energy Scope 1 and 2 GHG emission data for period:

Emissions from	Tonnes CO ₂ e					
	31 March 2022 location-based	31 March 2021 location-based	Variance location-based	31 March 2022 market-based	31 March 2021 market-based	Variance market-based
Scope 1 (Fuel combustion in buildings)	3,699	3,767	-2%	3,699	3,767	-2%
Scope 1 (Fuel combustion in vehicles)	112	10	971%	112	10	971%
Scope 1 (Fuel combustion in mobile and static plant)	26	43	-39%	26	42	-38%
Scope 2 (Electricity)	6,647	6,583	1%	2,877	6,583	-56%
Total	10,484			6,714	10,402	56%

Company's chosen intensity metric: tCO₂e/SqM

	31 March 2022 location-based	31 March 2022 market-based	Variance
Emissions reported per unit of Floor Area	0.140	0.090	56%

Underlying global energy data for period:

Energy use (kWh)	31 March 2022	31 March 2021	Variance
Electricity	31,306,162	28,236,244	11%
Natural Gas	20,193,980	20,484,888	-1%
Transport Fuel	462,546	43,517	963%
Mobile and Static Plant Fuel	120,440	197,667	-39%
Total	52,083,128	48,962,316	

Renewable Energy Percentage	31 March 2022 location-based	31 March 2021 location-based	Variance
Electricity	58%	0%	58%

NSK Europe Limited

Directors' report for the year ended 31 March 2022 (continued)

Auditors

Pursuant to Section 487 of the Companies Act, Ernst & Young LLP shall be reappointed as Auditors of the Company.

On behalf of the Board

DocuSigned by:

CF003355B56842B...
B Reimann
Director

Registered office
The Place
Bridge Avenue
Maidenhead
England
SL6 1AF

Date: 15/12/2022

NSK Europe Limited

Strategic report for the year ended 31 March 2022

The directors present their strategic report for the year ended 31 March 2022.

Key Performance indicators

Revenue for the year was €832.1 million (2021: €755.3million). Loss before tax was €24.8 million (2021: loss before tax €32.7 million). The operating loss was €24.1 million (2021: operating loss €33.7 million). Revenue, profit / (loss) before tax and operating profit are considered to be the Group's key performance indicators. The results of the business are discussed below:

Review of the Business

After the significant impact of COVID-19 during the year ended 31 March 2021, the Group was hopeful of returning to modest profitability for the year ended 31 March 2022. However, post COVID-19 the Automotive sector was impacted by the global shortage of semiconductors plus transportation issues caused by the Suez Canal blockage and container shortages generally. These were significant issues for automotive bearings and component businesses. This impact was most severe in the second and third quarters of the year. In the third quarter we recorded lower sales and higher losses than the corresponding period in the previous year. The other significant impact to operating results followed from 24 February 2022 when the Russia / Ukraine conflict started. As a result of the conflict the Group has ceased most activity in Russia and made provisions for writing-off assets and for potential liabilities. The total amount provided for this matter is €7.3 million as set out in note 17 of the Group Financial statements.

During the year, the Group replenished inventory, having reduced levels significantly during the COVID-19 crisis particularly to meet demand in the industrial sector but also in the automotive sector due to market disruption from the shortage of semiconductors. The loss for the year and the increase in inventory were the primary factors contributing to a cash outflow before financing activity of €99.4 million (2021: inflow €3.9 million).

The reduction in operating loss to €24.1 million (2021: €33.7 million loss) was attributable to the increase in revenue and volumes from the low point of the COVID-19 pandemic, impacting not only sales margin but also the performance at our plants through increased output and higher overhead recoveries. However, as discussed above the Automotive business is still being severely impacted by the Semiconductor shortage and other issues, revenue is still well below pre-pandemic levels.

For the first six months of the year ending 31 March 2023, trading conditions remain difficult. An operating loss was recorded for the first half of the year, albeit at a much-reduced level compared to the previous year.

For the year ending 31 March 2023 we expect to make an operating loss but at a reduced level compared with the previous year. Cash flow (excluding financing activity) will be negative, due primarily to the operating loss, increased capital expenditure, and payments to the UK pension scheme. However, the anticipated outflow will still be within the Company's available borrowing facilities.

The net assets of the Group at the end of the year were €331.5 million (2021: €333.7 million).

NSK Europe Limited

Strategic report for the year ended 31 March 2022 (continued)

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 focusing 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 during the year ended 31 March 2022 and to the date of this report is as set out below:

U. Nass – Chief Executive officer
S. Suzuki – Deputy Head of all European Operations (resigned 5 January 2022)
M. Komaba - Deputy Head of all European Operations (appointed 24 August 2022)
B. Reimann – Chief Financial Officer and Head of ICT
R. Butler – Managing Director, European Industrial Business Unit
F. Keiffer – Managing Director, European Automotive Business Unit
K. Noack – Steering Business Unit Managing Director (resigned 31 March 2022)
T. Doran – Senior Director European Project Management Office
V. Polonyi – Engineering Director (resigned 30 April 2022)
K. Ibrahim - Managing Director, European Steering Business Unit (appointed 1 April 2022)
C. Yesilbas – European Director of Quality
A. Savage – European Human Resources Director
T. Parker – Legal Director and Company Secretary

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

- the Risk and Audit Committee – to oversee risk, information security 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 Compensation and Pensions Committee – to oversee the reward of employees at all levels in the European organisation and to ensure effective governance of existing, closed and new retirement programmes.

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.

NSK Europe Limited

Strategic report for the year ended 31 March 2022 (continued)

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 27 "Financial Instruments" of the Group financial statements. Other financial and business risks are highlighted in the table below:

Area of potential risk	Potential impact	Mitigating activity
The Russia / Ukraine conflict could impact the financial position of the Group.	<p>Loss of Russia / Ukraine business and assets in those countries.</p> <p>Disruption to the wider Automotive sector due to disruption in supply of key raw materials and components sourced from the Ukraine and Russia.</p>	<ul style="list-style-type: none"> The Group has established a Crisis Management team to coordinate appropriate countermeasures to the Russian/Ukraine conflict. The Group has decided to cease most business in Russia and close its Branch in St. Petersburg. Full provision has been made for the financial impact of the closure and termination of our relationship with customers. The financial impact is set out in Note 17 of the Group Financial Statements. The Group has adjusted plant activity, where possible, for the change in Automotive demand.
COVID-19 could materially impact the financial position of the Group, should a new strain cause another lockdown in Europe.	<p>The COVID-19 pandemic materially impacted the financial performance of the Group in the year ended 31 March 2021, particularly in the first quarter.</p> <p>The impact of COVID-19 during the year ended 31 March 2022 was much more limited.</p> <p>A major COVID-19 incident, at a plant, could prevent the Group from meeting customer demand.</p> <p>Non-payment from customers / supply side issues</p> <p>Supply-chain issues, for example lockdown in Shanghai leading to shortage of rings and other parts.</p> <p>Increase in Employee absenteeism rates.</p>	<ul style="list-style-type: none"> Business Continuity Group established, chaired by Chief Executive to coordinate Group's response to crisis, initially meeting daily and currently monthly. The impact for the year ended 31 March 2022 was much less severe than the prior year and Europe is much less likely to have another major lock-down, as such some measures have been reduced but the Group remains vigilant. Liquidity: Borrowing facilities increased by €100 million during year ended 31 March 2021 and this was retained in the year ended 31 March 2022 and for the year ending 31 March 2023 for future working capital usage. Liquidity: Euro surplus cash held was reduced to €15 million (2021: €100 million) due to the reduced risk of a global liquidity crisis. This was reduced to nil by 30 June 2022. Inventory levels were managed down during the pandemic but for the year ended 31 March 2022 were increased. Long term financial forecasts (through to 2027) prepared to assess borrowing requirement. Safety procedures introduced at all sites in accordance with Government guidelines. Due to the continuing low infection rates in the summer of 2022 and reduced health risks, the Plants have maintained their lower levels of Protection Procedures, but the situation is being continually monitored at each site and stronger measures will be reintroduced if infections increase significantly. The Group is asking all employees to take a lateral flow test before returning to work after vacation on a voluntary basis. Flexible working arrangements introduced for those employees able to work from home. Number of people attending office areas reduced in line with Government guidelines. COVID-19 safety guidelines issued to all staff.

NSK Europe Limited

Strategic report for the year ended 31 March 2022 (continued)

Financial and Business risk management (continued)

Area of potential risk	Potential impact	Mitigating activity
The worldwide semiconductor shortage could curtail the Group's recovery from the pandemic	This was the key issue facing the Group during the year ended 31 March 2022. The recovery in automotive was severely impacted by the shortage of semiconductors. This impacts the ability of our customers to run their plants at anticipated levels and the Group has been faced with customer shutdowns at short-notice and a general lack of demand. Revenues have subsequently increased in the year ending 31 March 2023, but Automotive sales remain 20% below pre-COVID levels.	<ul style="list-style-type: none"> It is anticipated that the shortage in semi-conductors will continue to impact the automotive sector, particularly with the Russia / Ukraine conflict – as Russia is a key supplier of Palladium used in semi-conductor manufacture. The Group is taking corrective action during the year ending March 2023 to reduce inventory levels including reduction of shifts at its key automotive plants. The Group is working with its customers as closely as possible to anticipate shifts in demand.
Energy crisis	The Group is seeing a sharp increase in energy prices and may face energy shortages following the Russian invasion of Ukraine.	<ul style="list-style-type: none"> The Group is investigating the operational implications of different levels of shortages of gas, electricity and petrol / diesel, which may affect our processes, heating, transportation and employees. Countermeasures will be identified to reduce or avoid any negative effects. These will be presented to the Operating Committee for approval before implementation. Where possible energy supply has been secured for the winter months. The Group has hedged its energy pricing position in the UK. The Group is also asking key Customers how the situation may affect their operations, to understand the potential impact on demand.
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 Ltd, primarily, direct to our European Distribution Centre in the Netherlands.
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 and awareness programmes for employees. Group policies and guidance developed and available in local languages. Revised Code of Ethics and new Ethics Line.
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 27). Close control of capital expenditure, inventory and accounts receivables. This includes the setting up of a new Working Capital Task Force during the year ending 31 March 2023 to drive working capital improvement initiatives. The Company is part of a much larger Group, NSK Ltd., which continues to support the European operations.
The pension surplus returns to being in a deficit position.	Funding requirement increases.	<ul style="list-style-type: none"> The Group continues to make 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	Potential breach from increased sophistication of cyber terrorism and instances of attacks, especially connected with ongoing geo-political events.	<ul style="list-style-type: none"> To achieve accreditation to ISO 27001 Security Standard. Appointed a European Chief Information Security Officer in the year ended 31 March 2021. Improved employee awareness through training. Improved network robustness, through investment and process change. Enhanced security measures at UK manufacturing plants to maintain Authorised Economic Operator status.

NSK Europe Limited

Strategic report for the year ended 31 March 2022 (continued)

Financial and Business risk management (continued)

Area of potential risk	Potential impact	Mitigating activity
Inflationary pressure	Increase in energy prices, raw material prices and cost of living crisis across Europe leading to Wage inflation and reduced profitability. Impact on employee finances.	<ul style="list-style-type: none"> Review & negotiation of employment terms & conditions to retain skills, whilst focusing on control of wage levels to improve profitability. Develop sourcing strategies for steel Energy issues being assessed as discussed above. One of cost-of-living crisis bonus payments made to certain employees, particularly those on lower wages.
Further downturn in markets in difficult trading conditions	Impact on profitability and cash flow	<ul style="list-style-type: none"> Increased focus on product mix maximisation. Volume-based claims offered to customers. Improved liquidity (see above).
Impact of interest rate increases	There have been large interest rate increases globally. The Group has borrowing in both Euro's and US Dollars. The cost of this borrowing will material increase in the year ending 31 March 2023.	<ul style="list-style-type: none"> The Group is working with its Parent undertaking to agree a funding and Treasury strategy including the amount to be at a fixed rate in a new long-term loan on expiry of the current long-term loan on 17 April 2023.

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 to develop new products, improve quality and performance and to maintain and improve product competitiveness and profitability. The costs of this research and development activity are borne by the Company.

Future developments

The Directors aim to maintain and improve the Group's strength of quality being at the forefront of its offering. The business environment for the foreseeable future is expected to remain uncertain, with demand and supply issues in automotive and the exit from our business relationships in Russia. At the same time, we are expecting production for several new car models to start in the automotive business. During the year ended 31 March 2020, production commenced at our Morocco site for the automotive component business and has increased significantly during the year ended 31 March 2022.

Overall, there will be increased emphasis on recovering profitability of the business. Cash flow is expected to be negative for the year ending 31 March 2023 but will remain a key focus as we invest to ensure future profitability and sustainability. We anticipate returning to profitability for the year ending 31 March 2024. A review of our longer-term forecasts does not indicate any reason for impairment of either subsidiary investments or other assets at the current time.

The key issues going forward will be any potential escalation of the Russia / Ukraine conflict, if energy costs remain high and shortages escalate, along with the cost-of-living crisis.

Employee involvement

The Group provides employees with information on matters of concern to them, consulting them and/or their representatives regularly, so that their views can be considered 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 as to 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.

NSK Europe Limited

Strategic report for the year ended 31 March 2022 (continued)

Disabled employees

The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of gender, race, colour, disability or marital status. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and career development 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. 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 product lifecycle.

The Group presents its Streamlined Energy and Carbon Reporting performance for the year ended 31 March 2022 for its UK operations in the Directors' Report.

Board Statement on Companies Act 2016, Section 172(1)

The Board welcomes the opportunity to promote the success of the Group in accordance with sections 172(1) (A to F) of the Companies Act 2006. Accordingly, the Board of Directors acts in a way it considers, in good faith, would be most likely to promote the success of the Group for the benefit of its shareholder, and in doing so has regard to a range of matters and the likely consequences of any decision in the long term.

S172(1)(A) "The likely consequences of any decision in the long term"

The Directors' regard to these matters is embedded in their decision-making process, through the Group's business strategy, culture, governance framework, management information flows and stakeholder engagement. Business strategy is focused on achieving long-term success for the Group. In setting this strategy, the Board, through its Operating Committee, considers the long-term impact of relevant factors and stakeholder interests on the Group's performance. The Operating Committee also identifies and acts on the principal risks facing the business. The Board's Delegation of Authority sets out the delegation and approval process across the broader business.

The Board recognises that building strong and lasting relationships with our stakeholders will help us to deliver our strategy and operate a sustainable business.

S172(1)(B) "The interests of the company's employees"

The Board recognises that the Company's employees are fundamental to our business and delivery of our strategic ambitions. Our business success depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits, to our health, safety and workplace environment, the Operating Committee considers the impact of decisions on our workforce, where relevant and feasible. During the year ended 31 March 2022, the clear need for transparent and honest communication, which was so important during the COVID-19 pandemic, remained vital as the Company continues to face a challenging business environment.

NSK Europe Limited

Strategic report for the year ended 31 March 2022 (continued)

Board Statement on Companies Act 2016, Section 172(1) (continued)

S172(1)(C) "The need to foster the company's business relationships with suppliers, customers and others"

To deliver our strategy, the Group requires strong and mutually beneficial relationships with our customers, suppliers, and other partners. Our customers are central to everything. We value long-term customer partnerships built on mutual trust. We have strong, well-established roots in Japanese culture, which we combine with our European strengths to deliver best-in-class service. The Operating Committee receives regular updates on quality metrics and other issues so that the quality of the products and services provided can be closely monitored and safeguarded.

Suppliers are key to enable the Group to produce and supply high quality products to our customers and we aim to treat our suppliers fairly and work in partnership with them for the long term. It is our policy to adhere to agreed credit terms.

S172(1)(D) "The impact on the company's operations on the community and the environment"

The Group has a well-established environmental policy, setting out its environmental objectives and commitment to progress towards environmental excellence and these are considered when making decisions, especially with regards to investment and new products which support environmental improvements by our customers. The Group operates internationally and many of our facilities are embedded within the wider community in which they are based. Accordingly, it is important that we consider the impact of our operations on these communities.

S172(1)(E) "The desirability of the company maintaining a reputation for high standards of business conduct"

The Group has an established Code of Ethics and compliance programme. The Directors, supported by the Compliance & Ethics Committee, ensures that the highest standards of business conduct are maintained. The Operating Committee are briefed regularly on compliance matters and consider compliance in decision-making.

S172(1)(F) "The need to act fairly as between members of the company" is not a consideration of the Board given that the Company has a sole shareholder.

On behalf of the Board

DocuSigned by:

CF003355B56842B...
B Reimann
Director

Date: 15/12/2022

Registered office
The Place
Bridge Avenue
Maidenhead
England
SL6 1AF

NSK Europe Limited

Independent auditor's report to the members of NSK Europe Limited

Opinion

We have audited the financial statements of NSK Europe Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise of consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position and company balance sheet, the consolidated cash flow statement, the consolidated and company statements of changes in equity, and the related notes 1 to 28 in respect of the group and 1 to 20 in respect of the parent company, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 March 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

NSK Europe Limited

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

NSK Europe Limited

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

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent company and determined that the most significant are those that relate to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the group and the parent company has to comply with laws and regulations relating to its operations, including General Data Protection Regulation (GDPR).
- We understood how the group and the parent company are complying with those frameworks by making enquiries of management and those responsible for tax, legal and compliance procedures to understand how the group and parent company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our review of Board minutes, as well as consideration of the results of our other audit procedures.

NSK Europe Limited

Independent auditor's report to the members of NSK Europe Limited – continued

- We assessed the susceptibility of the group and parent company's financial statements to material misstatement, including how fraud might occur through internal team discussions and enquiry of management and those charged with governance. Through these procedures, we identified there to be a risk of management override on posting of manual journals in respect of revenue and improper revenue recognition.
- To address management override in both the group and parent company, we used data analytics to sample from the entire population of journals, identifying specific transactions which did not meet our expectations based on specific criteria, such as unusual pairings and journals posted during the year, which we investigated further to gain an understanding of the transaction and agree to source documentation ensuring appropriate authorisation of the transactions. We also tested manual journal entries and obtained corroborating evidence for such entries. To address the fraud risk around the improper recognition of revenue, we performed data analytics to test the entire population of the revenue postings, we investigated unusual transactions and tested specific transactions back to source documentation, ensuring revenues are recorded in the correct period and we further tested it to cash receipts as an external source evidence.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations in both the group and parent company. Our procedures involved enquiry with management and those charged with governance. We also read the financial statement disclosures, corroborating to supporting documentation to assess compliance with applicable laws and regulations and evaluated the business rationale of significant transactions outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP.

San Gunapala (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

Date: 16 December 2022

NSK Europe Limited

Consolidated income statement for the year ended 31 March 2022

	Note	2022 €'000	2021 €'000
Revenue	3	832,125	755,254
Cost of sales		<u>(711,084)</u>	<u>(659,086)</u>
Gross profit		121,041	96,168
Distribution expenses		<u>(13,343)</u>	<u>(10,638)</u>
Administration expenses – ongoing		<u>(130,868)</u>	<u>(120,550)</u>
Administration expenses – provision for liabilities	7	222	3,334
Administration expenses – pension arrangements	26	<u>(1,199)</u>	<u>(1,976)</u>
Administration expenses		<u>(131,845)</u>	<u>(119,192)</u>
Operating loss		<u>(24,147)</u>	<u>(33,662)</u>
Finance income	4	1,517	2,849
Finance costs	4	<u>(2,177)</u>	<u>(1,986)</u>
Share of profit of an associate	12	49	94
Loss before tax	5	<u>(24,758)</u>	<u>(32,705)</u>
Income tax credit / (charge)	9	<u>4,439</u>	<u>(10,228)</u>
Loss for the year		<u><u>(20,319)</u></u>	<u><u>(42,933)</u></u>
Attributable to:			
Owners of the parent		(20,387)	(43,100)
Non-controlling interests		68	167
		<u><u>(20,319)</u></u>	<u><u>(42,933)</u></u>

All amounts relate to continuing activities in the current and preceding year.

NSK Europe Limited

Consolidated statement of comprehensive income for the year ended 31 March 2022

	Note	2022 €'000	2021 €'000
Loss for the year		<u>(20,319)</u>	<u>(42,933)</u>
Other comprehensive income / (expense)			
Exchange differences on translation of foreign operations		987	1,141
Actuarial gains / (losses) on defined benefit plans	26	22,590	(38,236)
Income tax effect	9	<u>(5,486)</u>	<u>3,856</u>
Total Other comprehensive income / (expense) net of tax		<u>18,091</u>	<u>(33,239)</u>
Total comprehensive expense net of tax		<u>(2,228)</u>	<u>(76,172)</u>
Attributable to:			
Owners of the parent		(2,296)	(76,339)
Non-controlling interests		68	167
		<u>(2,228)</u>	<u>(76,172)</u>

NSK Europe Limited

Consolidated statement of financial position as at 31 March 2022

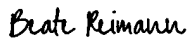
	Note	2022	2021
		€'000	€'000
Assets			
Non-current assets			
Property, plant and equipment	10	201,394	208,898
Intangible assets	11	6,059	7,034
Investment in an associate	12	1,502	1,464
Other financial assets	13	27,427	23,156
Trade and other receivables	15	9,863	9,502
Pension surplus	26	67,337	26,582
Deferred tax assets	9	35,042	29,093
		<u>348,624</u>	<u>305,729</u>
Current assets			
Other financial assets	13	2,320	-
Inventories	14	220,542	170,394
Trade and other receivables	15	192,943	191,481
Cash and cash equivalents	16	53,620	128,686
		<u>469,425</u>	<u>490,561</u>
Total assets		<u>818,049</u>	<u>796,290</u>
Current liabilities			
Trade and other payables	18	(152,926)	(153,629)
Interest-bearing loans and borrowings	19	(244,198)	(213,551)
Finance lease obligation	10	(3,484)	(3,561)
Income tax liabilities	9	(2,190)	(2,911)
		<u>(402,798)</u>	<u>(373,652)</u>
Net current assets		<u>66,627</u>	<u>116,909</u>
Total assets less current liabilities		<u>415,251</u>	<u>422,638</u>
Non-current liabilities			
Interest-bearing loans and borrowings	19	(50,000)	(50,000)
Finance lease obligation	10	(16,082)	(17,139)
Trade and other payables	18	(5,030)	(5,291)
Retirement benefit obligation	26	(8,454)	(8,906)
Provisions for liabilities	20	(4,225)	(7,614)
		<u>(83,791)</u>	<u>(88,950)</u>
Net assets		<u>331,460</u>	<u>333,688</u>

NSK Europe Limited

Consolidated statement of financial position as at 31 March 2022 (Continued)

	Note	2022	2021
		€'000	€'000
Equity			
Called up share capital	21	90,364	90,364
Translation reserve		(3,414)	(4,401)
Retained earnings		<u>240,369</u>	<u>243,652</u>
Equity attributable to owners of the parent		327,319	329,615
Non-controlling interests		<u>4,141</u>	<u>4,073</u>
Total equity		<u>331,460</u>	<u>333,688</u>

The Group financial statements on pages 20 to 77 were approved by the Board of Directors and signed on its behalf by:

DocuSigned by:

 CF003355B56842B...

B Reimann

Director

NSK Europe Limited

Registered number: 02223191

Date: 15/12/2022

NSK Europe Limited

Consolidated cash flow statement for the year ended 31 March 2022

	Notes	2022 €'000	2021 €'000
Operating activities			* Restated
Loss for the year		(24,758)	(32,705)
Depreciation and other amortisation	10 & 11	29,523	29,458
Other tangible and intangible asset movements		950	1,024
Finance income	4	(1,517)	(2,849)
Finance expense	4	2,177	1,986
GMP Equalisation	26	-	991
Pension Administration expenses	26	799	607
Non-cash movement on investment in associate	12	(49)	(94)
Operating cash (outflow) / inflow before changes in working capital, interest and taxation		7,125	(1,582)
(Increase) / decrease in inventories		(50,148)	21,937
(Increase) / decrease in trade and other receivables		(1,823)	5,834
(Decrease) / increase in trade and other payables		(964)	26,544
Movement in pensions		(76)	(241)
Decrease in provisions		(3,525)	(6,473)
Net payment of lease liabilities		(929)	-
Cash (used) / generated from operations		(50,340)	46,019
Interest paid		(2,382)	(1,986)
Income tax paid		(7,547)	(7,298)
Payments to fund the UK Pension scheme		(18,212)	(17,566)
Net cash (used) / generated from operating activities		(78,481)	19,169
Investing activities			
Interest received		389	756
Purchases of property, plant and equipment	10	(20,745)	(16,273)
Purchase of intangible assets	11	(1,245)	(2,110)
Movement in finance leases		-	(1,781)
Proceeds from sale of assets		732	714
Movements in available for sale assets		-	3,455
Net cash used in investing activities		(20,869)	(15,239)
Net cash (used) / generated before financing activities		(99,350)	3,930
Financing activities			
Loans made to a Related Party		(6,591)	-
Proceeds from borrowings		30,116	98,526
Net cash generated from financing activities		23,525	98,526
Net (decrease) / increase in cash and cash equivalents		(75,825)	102,456
Effect of exchange rate fluctuation on cash		228	482
Net cash and cash equivalents at 1 April 21		112,829	9,891
Net cash and cash equivalents at 31 March 22		37,232	112,829
Reconciliation of net cash and cash equivalents			
Cash and cash equivalents	16	53,620	128,686
Bank overdraft (disclosed within Interest bearing loans and borrowings)	19	(16,388)	(15,857)
Net cash and cash equivalents at 31 March 22		37,232	112,829

NSK Europe Limited

Consolidated cash flow statement for the year ended 31 March 2022 (continued)

**The prior year comparatives have been restated to correct a prior year error by reclassifying cash payments made to the defined benefit pension scheme from investing activities to operating activities in accordance with the requirements of IAS 7.*

Consequently, the Net cash generated from operating activities has been restated by €17,566k, from €36,735k as previously reported to €19,169k. An equal restatement to Net cash used in investing activities has been made, amending the previously reported balance of (€32,805k) to (€15,239k). The restatement only effects the line items mentioned and has no other impact on the consolidated cash flow statement.

Consolidated statement of changes in equity for the year ended 31 March 2022

	Notes	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 2021		90,364	(4,401)	243,652	329,615	4,073	333,688
Loss for the year		-	-	(20,387)	(20,387)	68	(20,319)
Exchange differences on translation of foreign operations		-	987	-	987	-	987
Actuarial gains on defined benefit plans	26	-	-	22,590	22,590	-	22,590
Income tax effect	9	-	-	(5,486)	(5,486)	-	(5,486)
At 31 March 2022		90,364	(3,414)	240,369	327,319	4,141	331,460
At 1 April 2020		90,364	(5,542)	321,132	405,954	3,906	409,860
Loss for the year		-	-	(43,100)	(43,100)	167	(42,933)
Exchange differences on translation of foreign operations		-	1,141	-	1,141	-	1,141
Actuarial losses on defined benefit plans	26	-	-	(38,236)	(38,236)	-	(38,236)
Income tax effect	9	-	-	3,856	3,856	-	3,856
At 31 March 2021		90,364	(4,401)	243,652	329,615	4,073	333,688

NSK Europe Limited

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 2022 comprise the Company and its subsidiaries and the Group's interest in an associate company (together referred to as the Group, see note 23 of the consolidated financial statements).

The Group's financial statements are prepared on the going concern basis under the historical cost convention and in accordance with the International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The Company accounts are prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland. Details of the Company accounts, notes to the accounts and principal accounting policies are set out on pages 79 to 104.

These financial statements have been prepared on an accounting basis consistent with that applied in the financial year ended 31 March 2021.

The financial statements have been rounded to the nearest €'000 for presentational purposes.

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 2022 was 1.18 (2021: 1.17). The average during 2022 was 1.18 (2021: 1.12).

Going concern

The Group had net current assets of €66.7 million as of 31 March 2022 (31 March 2021: net current assets of €116.9 million). Net cash and cash equivalents as referred to in the consolidated cashflow statement on page 24 were €37.2 million as of 31 March 2022 (31 March 2021: €112.8 million). The reduction in cash compared to prior year is in line with expectations as the Group has been replenishing inventory levels and increasing capital expenditure.

In considering the going concern basis of preparation the directors have prepared cash flow forecasts for the Company and the Group for a 12-month period from the date of approval of this report ("the going concern period"). These forecasts reflect an assessment of current and future market conditions and their impact on the Company and Group's cashflows. In addition, the directors have considered alternative forecasting scenarios to evaluate the cash requirements of the Company and Group should cash inflows significantly decrease and/or cash outflows significantly increase from those included in the expected forecast. All forecasts indicate that the Company and the Group will continue to require access to banking facilities.

The banking facilities available to the Company and the Group are part of larger facilities arranged and secured by the Parent Undertaking, NSK Ltd. (note 28). As such NSK Ltd. has confirmed in writing that it has the ability to and will support the Company and the Group as needed to meet their liabilities as they fall due throughout the going concern basis.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

1. Summary of significant accounting policies (continued)

Going concern (continued)

In assessing whether the going concern basis is appropriate the directors have taken account of all available information about the future up to 12 months from the date of approval of this report. The directors have concluded that NSK Ltd. can fulfil its obligations under the parental support arrangement set out above on the basis of the financial resources available and the continued profitable and cash generative financial performance of the NSK Ltd. group. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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.

Statement of compliance

The Group financial statements have been prepared in accordance with IFRS.

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 control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has concluded that it is the principal in its revenue arrangements as it controls the goods before transferring it to the customer.

The normal credit term given is 30 to 90 days upon delivery. The Group considers whether there are other promises that are separate performance obligations to which a portion of the transaction price needs to be allocated including extended warranty arrangements. The Group also considers the effect of variable consideration and the existence of any significant financing components.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

1. Summary of significant accounting policies (continued)

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 item of property, plant and equipment and the costs attributable to bringing the 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.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

1. Summary of significant accounting policies (continued)

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.

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 2022 or 31 March 2021.

Intangible assets are written off over the following periods:

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

Amortisation is charged primarily to Administration expenses in the consolidated income statement.

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 investment in associates is accounted for using the equity method. The consolidated income statement 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 statement of financial position.

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.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

1. Summary of significant accounting policies (continued)

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 consolidated income statement. 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 statement of financial position at the rates ruling at the statement of financial position date. Exchange differences arising on translation of the opening net assets and results of such operations are dealt with through reserves.

Current 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 statement of financial position 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 statement of financial position 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 statement of financial position 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 statement of financial position 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.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

1. Summary of significant accounting policies (continued)

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 Statement of financial position 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.

The current service costs and any past service costs are charged to the consolidated income statement 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 or loss as incurred.

Leases

The Group leases various offices, a warehouse and vehicles. Office leases are typically for periods of 5 years and above, the warehouse was for 10 years with options to extend and vehicles leases tend to be for 3 years and above.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on the relative stand-alone process.

Lease terms are negotiated on an individual basis (other than vehicles) and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until 31 March 2019 leases were classified as operating leases. From 1 April 2019 leases are recognised as a right-of-use asset and a corresponding liability in accordance with IFRS 16 "Leases".

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

1. Summary of significant accounting policies (continued)

Leases – continued

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the present value of the following lease payments:

- Fixed payments.
- Variable lease payments measured at the index rate on commencement.
- Amounts expect to be paid under residual value guarantees.
- Extension period payments, if it a likely such an options will be exercised.
- Termination costs for early exit if that option is likely to be exercised.

The lease payments are discounted by the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow funds to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions. To determine the incremental borrowing rate the Group uses the rates provided by its parent entity, NSK Ltd. as the key determinant. These are variable based on length, country and currency.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability.
- Any initial direct costs or restoration costs.

Right-of-use assets are depreciated over the lease term (including expected extension periods) on a straight-line basis. The Group does not expect to exercise any purchase options.

Payments associated with short-term leases and low-value assets are recognised on a straight-line basis as an expense to the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise printers, vending machines and small items of office furniture.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

1. Summary of significant accounting policies (continued)

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through the consolidated income statement.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics. With the exception of trade receivables, the Group initially measures a financial asset at its fair value plus transaction costs.

Trade receivables that do not contain a significant financing component are measured at transaction price, in line with related revenue recognition criteria. In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings. The Group does not enter into multi-period derivative financial transactions.

The Company's financial instruments comprise trade debtors, trade creditors, cash, bank loans and loans to and from other Group companies.

Recognition

Financial instruments are recognised in the Statement of financial position when the Company becomes party to the contractual provisions of the instrument.

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 2022

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.

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 Ltd., the Parent Undertaking. NSK Europe Limited is a wholly owned subsidiary of NSK Ltd. and, consequently, is exempt from the requirements of IFRS 8 *Operating segments*.

New standards, amendments and interpretations

No new standards, amendments or interpretations were adopted during the 12 months ended 31 March 2022.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

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 26.

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

There is a risk of an increase in pension liability due to GMP Equalisation being applied to members transferred out of the Scheme (Note 26). A court case was heard in 2020 concerning whether historic statutory transfer values paid out of schemes before 2018 need to be equalised. The court ruling made on 20 November 2020 confirmed that statutory transfers with GMPs built up between 17 May 1990 and 5 April 1997 need to be equalised. However, the Scheme's Trustee has received legal advice that the 2020 ruling does not place an obligation on the Trustee to pay top-ups in relation to transfers made as part of the Scheme's enhanced transfer value (ETV) exercises.

The new ruling led to a further additional liability being recognised by the Group of €1.0 million (Note 26) in the year ended 31 March 2021.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

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 2022, the carrying amount of capitalised development costs was €6.0 million (2021: €7.0 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 manufacturing plants.

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 the parent, NSK Ltd.'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 receivables

The Group makes an estimate of the recoverable value of trade and other receivables. When assessing the impairment of trade and other receivables, management considers factors including the current credit rating of the receivable, the ageing profile of receivables 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.

Leases

In determining the lease term the Group considers all facts and circumstances that create an economic incentive to exercise an extension option. For the current financial year no such assessment has been made (2021: nil).

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

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 of utilisation and the level of future taxable profits. In the years ended 31 March 2021 and 2022 the group reported losses because of the Covid-19 pandemic and the conflict between Russia and the Ukraine. These losses are considered to have arisen from one-time events outside of the Group's control. In assessing the level of deferred tax asset for losses to recognise management have considered the group's trading forecasts and have recognised losses that are expected to be utilised over the next 10-year period of trading. Given the established nature of the industry and the market in which the Group operates, this period is considered by management to be an appropriate period over which the group can reasonably assess future probable profits.

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 2022 the accrual held for rebates and price adjustments was €7.0 million (2021: €4.6 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 €2.7 million (2021: €5.4 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 2022 the value of upfront payments capitalised and non-refundable was €5.5 million (2021: €6.4 million).

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

3. Revenue

	2022 €'000	2021(i) €'000
Group revenue by destination is as follows:		
United Kingdom	33,564	60,644
Germany	204,814	186,969
France	105,853	134,468
Spain	22,336	17,953
Italy	80,358	67,065
Poland	21,343	19,926
Slovakia	3,341	3,127
Turkey	17,157	14,227
Czech Republic	17,236	13,242
Russia	32,870	34,299
Hungary	32,161	33,937
United Arab Emirates	27,520	19,446
Turkey	17,157	14,227
Morocco	32,356	7,070
South Africa	18,542	14,510
Belgium	24,287	2,725
Romania	24,368	19,023
USA	14,904	10,067
Switzerland	17,887	12,796
China	15,458	15,615
Rest of the World	68,613	53,918
	832,125	755,254

(i) Prior year numbers have been regrouped to conform with current year presentation.

	2022 €'000	2021 €'000
Group revenue by class of business is as follows:		
Industrial bearings and machinery	472,355	378,424
Automotive bearings and components	359,770	376,830
	832,125	755,254

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

4. Finance income and costs

	2022 €'000	2021 €'000
Interest receivable on bank deposits	109	617
Interest receivable from Group undertakings and related parties	280	139
Exchange gain arising in the pension schemes	490	914
Interest on pension liabilities, net of expected return on pension scheme assets	638	1,179
Finance income	1,517	2,849
Interest payable on bank loans:		
- long-term loans	708	706
- short-term loans	1,229	1,039
Interest on right to use assets	205	206
Group interest payable	35	35
Finance cost	2,177	1,986
Net Finance income	(660)	863

5. Loss before tax

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

	Note	2022 €'000	2021 €'000
Staff costs	8	153,765	149,741
UK Furlough and similar European Schemes	8	(49)	(5,500)
Depreciation on property, plant and equipment	10	27,289	27,067
Amortisation of intangible assets	11	2,234	2,391
Loss on disposal of fixed assets		563	278
Foreign exchange losses (excluding on net pension surplus)		1,450	965
Litigation and other provisions	7	(222)	(3,334)
GMP Equalisation	26	-	991
Assets written off and liabilities recognised in respect of Russia / Ukraine conflict	17	7,305	-
Exchange gain arising on the deficit in the pension schemes	4&26	(490)	(914)

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

6. Auditor's remuneration

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

	2022 €'000	2021 €'000
Fees payable to company's auditors for the audit of parent company and consolidated financial statements	526	484
Fees payable to company's auditors and its associates for other services:		
The audit of Company's subsidiaries pursuant to legislation	840	751
Audit-related assurance services	404	351
Other non-audit services	9	16
Tax compliance services	55	87
	<u>1,834</u>	<u>1,689</u>

7. Litigation and other provisions

Included within Administrative expenses are the following amounts (credit) / debit:

	Note	2022 €'000	2021 €'000
Litigation and other legal matters	20	(1,422)	(5,914)
Reorganisation charge	20	730	2,601
Provision for Russia / Ukraine conflict	17&20	550	-
Environmental provisions	20	(80)	(21)
		<u>(222)</u>	<u>(3,334)</u>

The provision for litigation and other legal matters (Note 20) related in part to: ongoing and potential third party claims in connection with the European Commission decision against various bearing manufacturers, including NSK Ltd. (the Parent Undertaking 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. As any potential new cases are now time barred the Group determined the remaining provision could be reduced by €5.9 million in the year ended 31 March 2021. The remaining provision is expected to be utilised and or released over the next two to three years. There was no associated tax impact with this provision release. The other part of this provision related to customer claims which were settled in the year ended 31 March 2022 resulting in a release of €1.4 million.

The reorganisation charge in the period related primarily to redundancy costs in Mainland Europe. The tax impact on the reorganisation charge in 2022 was to reduce the tax cost by €219,000 (2021: €523,000).

The movement in these provisions is shown in note 20.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

8. Staff costs

	2022 Number	2021 Number
The average monthly number of employees (including executive directors) employed by the Group were:		
Manufacturing	2,848	2,760
Research and development	175	185
Sales	384	374
Administration	497	471
	<u>3,904</u>	<u>3,790</u>
	2022 €'000	2021 €'000
Wages and salaries	130,648	127,372
Social security costs	17,762	17,142
Other pension costs	5,355	5,227
	<u>153,765</u>	<u>149,741</u>

Other pension costs include the current service charge and payments to defined contribution plans. The employee costs exclude the provision for the Guaranteed minimum pension equalisation provision (note 26).

Impacts of UK Government Furlough and similar European Schemes

The above figures include the full cost of employees on furlough and similar schemes and such employees have also been included in the average monthly number of employees. As such the current year is comparable with the prior year. The schemes were heavily utilised in April 2020 and May 2020.

The total benefit received by the Company from the Government scheme was €49,000 (2021: €5.5 million) and was taken as a credit to the cost of sales.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

8. Staff costs (continued)

Directors' remuneration

Remuneration

Directors' remuneration – emoluments paid in respect of directors of the Group totalled €1,521,050 (2021: €1,670,270). Included in the aggregate emoluments are €27,909 (2021: €27,756) of Company payments to defined contribution schemes. There were no amounts for loss of office in either year.

Directors' resident in Japan who served during the year received remuneration from NSK Ltd; these amounts are provided in the financial statements of NSK Ltd. 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:

	2022	2021
	€	€
Aggregate emoluments	<u>842,908</u>	<u>674,972</u>

The highest paid director is a member of a defined contribution pension scheme. Included in the aggregate emoluments of the highest paid director is €27,909 (2021: €27,756) of Company payments to a defined contribution scheme.

No director is accruing benefits under defined benefit pension schemes (2021: nil). One director was a member of the defined contribution scheme during the financial year (2021: one).

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

9. Taxation

Tax (credit) / charge in the consolidated income statement	2022 €'000	2021 €'000
Current tax:		
Overseas tax	6,249	5,360
Adjustment in respect of prior years	796	1,276
Share of associates tax	10	18
Total current tax	7,055	6,654
Deferred tax:		
Total deferred tax	(11,494)	3,574
Total income tax (credit) / charge in the consolidated Income Statement	(4,439)	10,228

Total tax charge is reconciled to the UK rate of 19% (2021: 19%) of loss before tax as follows:

	2022 €'000	2021 €'000
Loss before taxation	(24,758)	(32,705)
Loss before tax multiplied by the standard rate of tax in the United Kingdom at 19% (2021: 19%)	(4,704)	(6,214)
<i>Effects of:</i>		
Income not allowable chargeable for tax purposes	737	(678)
Taxation posted to Other comprehensive income	(5,486)	3,856
Adjustment in respect of foreign tax rates	1,788	1,845
Utilisation of non-recognised deferred tax timing differences	2,430	10,143
Adjustment in respect of prior years	796	1,276
Total tax (credit) / charge	(4,439)	10,228

Factors affecting future tax rates

Due to the Group's transfer pricing structure sales and manufacturing entities will make an agreed margin and therefore will be subject to rates of taxation applying in their local jurisdictions. This will be the greatest impact on the tax charge for the year ending 31 March 2023.

Finance Bill 2021 has been enacted on 10 June 2021, increasing tax rate to 25% from April 2023. Due to the change in tax rates the value of the deferred tax asset increased from €29 million to €35 million.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

9. Income tax charge (continued)

Current tax liabilities

	2022	2021
	€'000	€'000
Income tax liabilities	2,190	2,911
	<u>2,190</u>	<u>2,911</u>

Deferred tax balances

	2022	2021
	€'000	€'000
Deferred tax assets	35,042	29,093
	<u>35,042</u>	<u>29,093</u>

	1 April 2021	Recognised in Income statement	Recognised in Other comprehensive income	Foreign exchange	31 March 2022
	€'000	€'000	€'000	€'000	€'000
Accelerated capital allowances	1,845	(64)	-	54	1,835
Other short term timing difference	2,759	66	-	(3)	2,822
Pension	(1,052)	3,327	(5,486)	(110)	(3,321)
Tax losses	25,541	8,165	-	-	33,706
	<u>29,093</u>	<u>11,494</u>	<u>(5,486)</u>	<u>(59)</u>	<u>35,042</u>
Deferred tax asset	29,093	11,494	(5,486)	(59)	35,042
Deferred tax liability	-	-	-	-	-
	<u>29,093</u>	<u>11,494</u>	<u>(5,486)</u>	<u>(59)</u>	<u>35,042</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

9. Income tax charge (continued)

Deferred tax balances - continued

	1 April 2020	Recognised in Income statement	Recognised in Other comprehensive income	Foreign exchange	31 March 2021
	€'000	€'000	€'000	€'000	€'000
Accelerated capital allowances	3,904	(2,103)	-	44	1,845
Other short term timing difference	2,266	546	-	(53)	2,759
Pension	(2,155)	(2,747)	3,856	(6)	(1,052)
Tax losses	24,811	730	-	-	25,541
	<u>28,826</u>	<u>(3,574)</u>	<u>3,856</u>	<u>(15)</u>	<u>29,093</u>
Deferred tax asset	28,853	(3,601)	3,856	(15)	29,093
Deferred tax liability	(27)	27	-	-	-
	<u>28,826</u>	<u>(3,574)</u>	<u>3,856</u>	<u>(15)</u>	<u>29,093</u>

Deferred tax not recognised

	2022	2021
	€'000	€'000
Accelerated capital allowances	(16,144)	(11,237)
Pension	10,609	3,735
Other short term timing differences	(37)	(184)
Effect of losses carried forward	(38,630)	(23,594)
	<u>(44,202)</u>	<u>(31,280)</u>

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 2022

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 2020	133,419	26,384	453,569	63,090	676,462
Additions	27	13,874	248	2,124	16,273
Exchange movement	84	4	(129)	16	(25)
Transferred from assets in progress	1392	(22,254)	16,737	4,125	-
Adjustments	(742)	281	(527)	1,473	485
Disposals /scrapped	-	(1,061)	(2,210)	(3,559)	(6,830)
At 31 March 2021	134,180	17,228	467,688	67,269	686,365
Additions	608	17,554	186	2,397	20,745
Exchange movement	4	5	(3)	9	15
Transferred from assets in progress	1,428	(14,127)	10,136	2,563	-
Adjustments	3	(286)	(1,282)	1,339	(226)
Disposals /scrapped	(215)	(311)	(14,469)	(5,291)	(20,286)
At 31 March 2022	136,008	20,063	462,256	68,286	686,613
Accumulated depreciation					
At 1 April 2020	69,635	-	340,939	45,603	456,177
Exchange movement	12	-	(99)	11	(76)
Charge for the year	4,553	-	16,088	6,426	27,067
Adjustments	-	-	(107)	44	(63)
Disposals / scrapped	-	-	(2,179)	(3,459)	(5,638)
At 31 March 2021	74,200	-	354,642	48,625	477,467
Exchange movement	2	-	(3)	7	6
Charge for the year	4,644	-	16,195	6,450	27,289
Adjustments	(42)	-	(236)	151	(127)
Disposals / scrapped	(171)	-	(14,228)	(5,017)	(19,416)
At 31 March 2022	78,633	-	356,370	50,216	485,219
Net book value					
31 March 2022	57,375	20,063	105,886	18,070	201,394
31 March 2021	59,980	17,228	113,046	18,644	208,898
1 April 2020	63,784	26,384	112,630	17,487	220,285

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

10. Property, plant and equipment (continued)

Leases

This note provides information for leases where the Group is a lessee. The Group does not act as a lessor to any third-party.

(i) Amount recognised on the statement of financial position

The statement of financial position shows the following amounts relating to leases:

Right-of-use assets	31 March 2022	31 March 2021
	€'000	€'000
Land and buildings	15,003	16,123
Fixtures and fittings and motor vehicles	4,514	4,509
	<u>19,517</u>	<u>20,632</u>
 Lease liabilities – Short term	 31 March 2022	 31 March 2021
	€'000	€'000
Land and buildings	1,298	1,514
Fixtures and fittings and motor vehicles	2,186	2,047
	<u>3,484</u>	<u>3,561</u>
 Lease liabilities – long term	 31 March 2022	 31 March 2021
	€'000	€'000
Land and buildings	13,755	14,526
Fixtures and fittings and motor vehicles	2,327	2,613
	<u>16,082</u>	<u>17,139</u>

Addition to the right-of-use assets in the year ended 31 March 2022 were €2,645,000 (€2021: €1,965,000).

(ii) Amounts recognised in the consolidated income statement

Depreciation charge of right-of-use assets	2022	2021
	€'000	€'000
Buildings	(1,610)	(1,618)
Fixtures and fittings and motor vehicles	(2,149)	(2,118)
	<u>(3,759)</u>	<u>(3,736)</u>
Interest expenses (included in finance cost)	(205)	(206)
Expenses relating to leases of low value assets	(95)	(47)
Expenses relating to short-term leases	(121)	(101)

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

11. Intangible assets

	Development in progress €'000	Capitalised software €'000	Total €'000
Cost			
At 1 April 2020	1,068	22,916	23,984
Additions	2,052	58	2,110
Exchange movement	-	(6)	(6)
Transferred from development in progress	(732)	732	-
Scrapped	(73)	(1,141)	(1,214)
At 31 March 2021	2,315	22,559	24,874
Additions	1,131	114	1,245
Exchange movement	-	14	14
Transferred from development in progress	(1,990)	1,990	-
Scrapped	-	(13)	(13)
At 31 March 2022	<u>1,456</u>	<u>24,664</u>	<u>26,120</u>
Accumulated amortisation			
At 1 April 2020	-	16,415	16,415
Exchange movement	-	(6)	(6)
Charge for the year	-	2,391	2,391
Scrapped	-	(960)	(960)
At 31 March 2021	-	17,840	17,840
Charge for the year	-	2,234	2,234
Scrapped	-	(13)	(13)
At 31 March 2022	-	<u>20,061</u>	<u>20,061</u>
Net book value			
31 March 2022	<u>1,456</u>	<u>4,603</u>	<u>6,059</u>
31 March 2021	<u>2,315</u>	<u>4,719</u>	<u>7,034</u>
1 April 2020	<u>1,068</u>	<u>6,501</u>	<u>7,569</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 2022

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 2020	1,421
Share of profit before taxation	94
Share of taxation	(18)
Foreign exchange	(33)
At 31 March 2021	1,464
Share of profit before taxation	49
Share of taxation	(10)
Foreign exchange	(1)
At 31 March 2022	1,502

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

13. Other financial assets

	2022	2021
	€'000	€'000
Other financial assets – Long term	27,427	23,156
Other financial assets – Short term	2,320	-
Loan to related parties	29,747	23,156

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

- (i) A PLN 77 million loan (2021: PLN 77 million) which translates to €16.5 million (2021: €16.6 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 2024.
- (ii) A €1.6 million loan (2021: €6.6 million). Interest is based on the Euribor +0.5%, with a minimum rate of 0.5% (2021: 0.2%).
- (iii) A €11.6 million loan (2021: nil) to the same Sister company as in (ii) above. Interest is at a fixed rate of 0.945%. The loan is repayable in quarterly instalments commencing in June 2022 through to March 2027. The short-term element of this loan is therefore €2.3 million and €9.3 million is long-term

The total facility under the loans made in (ii) and (iii) is €20 million (2021: €10 million). The borrowing under (ii) is refreshed each quarter depending on the requirement of the borrower.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

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

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.

	2022	2021
	€'000	€'000
Raw materials and stores	68,843	50,347
Work in progress	20,912	17,386
Finished goods and goods for resale	146,623	119,304
Gross inventories	236,378	187,037
Inventory provisions	(15,836)	(16,643)
	<u>220,542</u>	<u>170,394</u>

There is no material difference between the replacement cost of inventory and its carrying value. Inventories recognised within cost of sales during the year are €711.1 million (2021: €659.1 million).

During the year inventory provisions were decreased by €0.8 million (2021: increased by €6.7 million) due to increased sales (2021: decreased sales). Additionally, inventory of €0.6 million was written off (2021: nil) as a result of the Russia/ Ukraine conflict.

15. Trade and other receivables

	2022	2021
	€'000	€'000
Gross trade receivables	167,499	160,862
Rebates and other sales provisions	(7,028)	(4,636)
Provision for doubtful debts	(2,823)	(1,299)
Trade receivables	157,648	154,927
Receivables from an associate	3	-
Receivables from other related parties	12,422	11,686
Vat receivable	9,257	9,092
Prepayments and accrued income	9,077	9,943
Other receivables	4,536	5,833
Trade and other receivables falling due within one year	192,943	191,481
Other receivables falling due after more than one year	9,863	9,502
Total trade and other receivables	<u>202,806</u>	<u>200,983</u>

Other receivables falling due after one year includes €9.9 million (2021: €9.5 million) of amounts paid to customers, which are to be amortised against future revenue over the contractual period.

The Group wrote off €5.2 million (2021: nil) in respect receivables during the year as a result of the Russia / Ukraine conflict.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

15. Trade and other receivables (continued)

The balance for receivables from other related parties reflected the amounts due from NSK Ltd. and NSK Ltd. 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 (2021: 70 days). No interest is charged on overdue trade receivables, however sales made from Germany receive an early settlement discount. Allowance for doubtful debts is 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 and suppliers Rolman, Toyota, Volkswagen and Renault. These customers tend to settle debt promptly (or on terms) as it falls due and in some countries on a self-bill basis. As at 31 March 2022 the largest amount outstanding from an individual customer amounted to less than 7% of the outstanding value of receivables (2021: less than 5%).

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 2022 (2021: nil).

Age of trade receivables that are past due but not impaired

	2022	2021
	€'000	€'000
1-30 days	6,733	8,050
30-60 days	2,233	1,701
60-90 days	800	95
90-180 days	163	609
180 days +	-	-
Total	9,929	10,455

Movement in the allowance for doubtful debts

	2022	2021
	€'000	€'000
Balance at the start of the year	1,299	1,350
Impairment losses recognised on receivables	2,177	920
Amounts written off during the year as uncollectable	(144)	(605)
Impairment losses reversed or amounts recovered	(513)	(364)
Other	4	(2)
Balance at the end of the year	2,823	1,299

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

16. Cash and cash equivalents

	2022 €'000	2021 €'000
Cash at bank and at hand	<u>53,620</u>	<u>128,686</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. There were no amounts held on short-term deposit (2021: nil).

The Group strategically increased its cash holding by €100 million during the year ended 31 March 2021 as result of the COVID-19 pandemic, and at the same time increased its borrowing facilities by the same amount. The cash was deposited with the Group's two main lending banks. As at 31 March 2022 the Group had reduced this strategic cash holding to €15 million and it was fully utilised by 30 June 2022.

The Group has a cash-pooling arrangement covering the majority of its Group companies. The net amount overdrawn was €16.4 million (2021: €15.9 million). This is included in Note 19-Interest-bearing loans and borrowings.

There is €5.0 million (2021: €4.0 million) of cash which is restricted in use. The substantial proportion of this restricted cash arose after 1 November 2019 when the Polish government introduced the VAT mandatory split-payment mechanism. VAT received and paid on certain transactions has to be processed through restricted bank accounts which can only be used for payment of Polish VAT and other Polish taxes. The Group can make a claim to release the surplus amounts built up in these accounts, if it is evident the amount is in excess of any future likely payment. The Group will consider making such a claim in the financial year ending 31 March 2023.

17. Russia / Ukraine Conflict

On 24th February 2022 Russia invaded Ukraine, as a result of this the Company has had a number of write off's and made provisions as summarised below:

€'000

Russia / Ukraine conflict summary of Financial Impact:

Inventory written off (Note 14)	602
Recognise liability for Inventory Ordered (Note 18)	956
Write off amounts owed by customers (Note 15)	5,197
Closure of St Petersburg office (Note 20)	<u>550</u>
Provision for Russia / Ukraine conflict	<u>7,305</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

18. Trade and other payables

	2022	2021
	€'000	€'000
Trade payables	30,277	29,715
Payables to an associate	377	393
Payables to other related parties	88,531	91,262
Accruals and deferred income	24,342	23,701
Other taxation and social security	6,185	5,884
VAT payables	1,620	1,322
Other payables	1,594	1,352
Trade and other payables due within one year	152,926	153,629
Other payables falling due after more than one year	5,030	5,291
Total trade and other payables	157,956	158,920

Trade payables are non-interest bearing and are normally settled on 30–120-day terms.

An accrual of €1.0 million (2021: nil) was made in respect of inventory ordered and non-cancellable as a result of the Russia / Ukraine conflict.

The balance for payables from related parties reflects the amounts due to NSK Ltd. and NSK Ltd. entities which are not consolidated within this Group. NSK Ltd. 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 relate to payroll amounts deducted and due to the employee pension funds within 30 days of the month end. Other payables falling due after more than one year 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 2022

19. Interest-bearing loans and borrowings

		2022	2021
		€'000	€'000
Unsecured – at amortised cost			
Bank overdraft	(i)	16,388	15,857
Short-term loans	(ii)	<u>227,810</u>	<u>197,694</u>
		244,198	213,551
Long-term loan – repayable 2-5 years	(iii)	50,000	50,000
Interest-bearing loans and borrowings		<u>294,198</u>	<u>263,551</u>

Summary of borrowing arrangements

- (i) The Group has a cash-pooling arrangement covering the majority of its Group companies. The net amount overdrawn was €16.4 million (2021: €15.9 million), as referred to in note 16.
- (ii) Short-term floating rate loans are held with three (2021: two) banks. Interest rate ranges from nil% to 1.42% (2021: 0.34% to 1.42%), with a weighted average interest of 0.56% (2021: 0.72%). The loans are refreshed regularly with the core banking partners depending on currency requirements. The loans are held in the following currencies:

	2022	2021
	€'000	€'000
Polish Zloty	-	6,451
US Dollar	10,810	5,544
Euro	217,000	185,699
Total short-term unsecured	<u>227,810</u>	<u>197,694</u>

- (iii) On 7 April 2021 the Group took out a 3-year loan €50 million loan with one of its lending banks. The loan is at a fixed rate of 1.42% and is repayable on 17 April 2023.

	2022	2021
	€'000	€'000
Euro	50,000	50,000
Total long-term unsecured	<u>50,000</u>	<u>50,000</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

20. Provisions for liabilities

	2022 €'000	2021 €'000
Litigation and other legal matters	2,728	5,350
Reorganisation provisions	788	2,019
Environmental provisions	159	245
Provision for closure of St Petersburg office	550	-
	<u>4,225</u>	<u>7,614</u>

Litigation and other legal matters

	2022 €'000	2021 €'000
Beginning of year	5,350	12,559
Credited to consolidated income statement	(1,422)	(5,914)
Utilised in the year	<u>(1,200)</u>	<u>(1,295)</u>
End of year	<u>2,728</u>	<u>5,350</u>

The provision for litigation and other legal matters relates to:

(i) Ongoing third-party claims in connection with the European Commission decision against various bearing manufacturers, including NSK Ltd. (the Parent Undertaking 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. As any potential new cases are now time barred the Group determined in the year ended 31 March 2021 that the remaining provision could be reduced by €5,913,614. The remaining provision is expected to be utilised and or released over the next two to three years.

(ii) Provision for other customer claims. The provision represents the Group'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. These matters were resolved due to events occurring during the year ended 31 March 2022. The Group consequently took a credit to the financial statement of €1,421,500 in the year ended 31 March 2022.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

20. Provisions for liabilities - continued

Reorganisation provision:

	2022	2021
	€'000	€'000
Beginning of year	2,019	1,253
Charged to consolidated income statement	730	2,601
Utilised in the year	(1,961)	(1,835)
End of year	788	2,019

The charge in the period related primarily to redundancy costs in Mainland Europe. Prior year costs were in relation to termination of the Steering business activity at our plant in Peterlee, UK and other termination payments at the same plant in order to reduce the operating cost base.

The remaining provision is expected to be utilised by 31 March 2023.

Environmental provisions:

	2022	2021
	€'000	€'000
Beginning of year	245	275
Credited to consolidated income statement	(80)	(21)
Utilised in the year	(6)	(9)
End of year	159	245

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.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

20. Provisions for liabilities - continued

Provision for closure of St Petersburg office

	2022 €'000	2021 €'000
Beginning of year	-	-
Charged to the income statement	550	-
Utilised in the year	-	-
End of year	550	-

The provision is in respect of closure of the Group's office in St Petersburg following the start of the Russia/ Ukraine conflict and relates primarily to redundancy costs. The provision was fully utilised by the end of September 2022. The St Petersburg office is a branch of NSK Polska Sp. z o.o. however the cost is borne by NSK Europe Limited as it was a strategic decision to close the operations in Russia, the supply being delivered by the operation was not on the sanctioned list.

21. Called up share capital

	2022 €'000	2021 €'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 (2021: 58,526,000) translated at historic rate of 1.544 Euros.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

22. 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	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
NSK Ltd.	3,492	1,969	153,809	134,265
Associate	1	2	3,416	3,243
Other NSK Ltd. subsidiaries	34,017	25,042	223,767	199,536
	<u>37,510</u>	<u>27,013</u>	<u>380,992</u>	<u>337,044</u>

In addition royalty fees of €20.2 million (2021: €18.8 million) were charged by NSK Ltd.

During the year the Group recharged NSK Ltd. €nil (2021: €0.2 million) for expenses incurred in respect of the development of Oracle to NSK Ltd.

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

	Amounts owed by related parties		Amounts owed to related parties	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
NSK Ltd.	2,762	3,655	43,441	44,841
Associate	3	-	377	393
Other NSK Ltd. subsidiaries	9,660	8,031	45,090	46,421
	<u>12,425</u>	<u>11,686</u>	<u>88,908</u>	<u>91,655</u>

Loans to related parties

	2022	2021
	€'000	€'000
Other subsidiaries of NSK Ltd. (note 13)	<u>29,747</u>	<u>23,156</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

22. Related party transactions – continued

Compensation of key management

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

	2022	2021
	€'000	€'000
Fees and salary	2,572	2,442
Pension costs including pension sacrifice	143	99
Benefits in kind	241	455
Other	17	207
Bonus	1,143	734
	<u>4,116</u>	<u>3,937</u>

The key management are considered to be the Directors of the Company and members of the Operating Committee; see page 10 for members in the current year.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

23. 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 2022 %	Proportion of ordinary shares held 2021 %
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 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 S.A.R.L	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 28.

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

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Notes to the Group financial statements for the year ended 31 March 2022

24. Commitments for expenditure

Contingent liabilities:

Capital and other commitments:

	2022 €'000	2021 €'000
Contracted but not provided for	<u>3,962</u>	<u>7,497</u>

Contracted but not provided for includes €2.6 million (2021: €2.5 million) in relation to amounts to be paid to customers, upon commencement of the contract.

25. Guarantees

Guarantees provided to third parties

	2022 €'000	2021 €'000
HMRC, VAT, Customs etc. guarantees	3,441	3,442
Warehouse development & rental guarantees	605	645
	<u>4,046</u>	<u>4,087</u>

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Notes to the Group financial statements for the year ended 31 March 2022

26. Pension arrangements

The Group is party to six (2021: seven) 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). – this scheme was no longer active during the year ended 31 March 2022.
- The Neuweg One-off Retirement Scheme (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.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

26. Pension arrangements (continued)

Guaranteed minimum pension equalisation (GMPs)

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The Group provided in year ended 31 March 2019 €7.8 million in respect of this matter. A further court case was heard in 2020 concerning whether historic statutory transfer values paid out of schemes before 2018 need to be equalised. The court ruling made on 20 November 2020 confirmed that statutory transfers with GMPs built up between 17 May 1990 and 5 April 1997 need to be equalised. However, the Scheme's Trustee has received legal advice that the 2020 ruling does not place an obligation on the Trustee to pay top-ups in relation to transfers made as part of the Scheme's enhanced transfer value (ETV) exercises.

The new ruling led to a further additional liability being recognised by the Group of €1.0 million in the year ended 31 March 2021.

Breakdown of amounts recognised in the income statement and other comprehensive income 31 March 2022

	UK Scheme	Mainland Europe Schemes	Total
	€'000	€'000	€'000
<i>Operating cost:</i>			
Current service cost	-	400	400
Administrative expenses	799	-	799
Cost recognised within operating profit	799	400	1,199
<i>Financing cost / (income):</i>			
Interest on net defined benefit / liability	(742)	104	(638)
Foreign currency translation loss / (gain)	(492)	2	(490)
Finance cost / (income)	(1,234)	106	(1,128)
(Income) / cost recognised in the income statement	(435)	506	71
<i>Re-measurement in other comprehensive expense</i>			
Return on scheme assets lower than that recognised in finance cost	6,711	-	6,711
Actuarial gain due to changes in financial assumptions	(25,682)	(710)	(26,392)
Actuarial loss due to changes in demographic assumptions	116	34	150
Actuarial (gain) / loss due to liability experience	(3,253)	194	(3,059)
Total amount recognised in other comprehensive income	(22,108)	(482)	(22,590)

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

26. Pension arrangements (continued)

Breakdown of amounts recognised in the income statement and other comprehensive income 31 March 2021

	UK Scheme	Mainland Europe Schemes	Total
	€'000	€'000	€'000
<i>Operating cost:</i>			
Current service cost	-	378	378
Guaranteed minimum pension equalisation	991	-	991
Administrative expenses	607	-	607
Cost recognised within operating profit	1,598	378	1,976
<i>Financing cost / (income):</i>			
Interest on net defined benefit / liability	(1,303)	124	(1,179)
Foreign currency translation gain	(756)	(158)	(914)
Finance cost income	(2,059)	(34)	(2,093)
Costs / (income) recognised in the income statement	(461)	344	(117)
<i>Re-measurement in other comprehensive expense</i>			
Return on scheme assets higher than that recognised in finance cost	(3,085)	-	(3,085)
Actuarial loss due to changes in financial assumptions	58,807	224	59,031
Actuarial loss due to changes in demographic assumptions	(4,242)	(57)	(4,299)
Actuarial loss due to liability experience	(13,886)	475	(13,411)
Total amount recognised in other comprehensive income	37,594	642	38,236

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

26. Pension arrangements (continued)

Changes in the present value of the deficit in the scheme

	UK Scheme	Mainland Europe Schemes	Total
	€'000	€'000	€'000
Surplus / (deficit) in the scheme at 31 March 2020	<u>46,149</u>	<u>(8,434)</u>	<u>37,715</u>
Current service cost	-	(378)	(378)
Administration cost	(607)	-	(607)
Guaranteed minimum pension equalisation	(991)	-	(991)
Interest income / (cost)	1,303	(124)	1,179
Regular contribution by the employer	17,566	619	18,185
Actuarial gain on scheme liabilities arising from changes in demographic assumptions	4,242	57	4,299
Losses on scheme liabilities arising from changes in financial Assumptions	(58,807)	(224)	(59,031)
Reclassification from long term liabilities	-	(105)	(105)
Actuarial gain / (loss) on scheme liabilities arising from experience	13,886	(475)	13,411
Re-measurement gains on scheme assets	3,085	-	3,085
Exchange gain	756	158	914
Surplus / (deficit) in the scheme at 31 March 2021	<u>26,582</u>	<u>(8,906)</u>	<u>17,676</u>
Current service cost	-	(400)	(400)
Administration cost	(799)	-	(799)
Interest income / (cost)	742	(104)	638
Regular contribution by the employer	18,212	476	18,688
Actuarial gain on scheme liabilities arising from changes in demographic assumptions	(116)	(34)	(150)
Losses on scheme liabilities arising from changes in financial Assumptions	25,682	710	26,392
Actuarial gain / (loss) on scheme liabilities arising from experience	3,253	(194)	3,059
Re-measurement gains on scheme assets	(6,711)	-	(6,711)
Exchange gain	492	(2)	490
Surplus / (deficit) in the scheme at 31 March 2022	<u>67,337</u>	<u>(8,454)</u>	<u>58,883</u>

The UK scheme was closed to future benefit accrual on 31 December 2016. However, the Group continued to further fund this scheme during the year by €18.2 million (2021: €17.6 million). The funding into this scheme is also reported on the cash flow statement.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

26. 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
	2022	2022	2022	2021	2021	2021
	€'000	€'000	€'000	€'000	€'000	€'000
Opening fair value of scheme liabilities	486,196	8,906	495,102	434,785	8,434	443,219
Settlements	-	-	-	-	-	-
GMP Equalisation	-	-	-	991	-	991
Reclassification from long term liabilities	-	-	-	-	105	105
Current service cost	-	400	400	-	378	378
Interest on defined benefit obligation	10,038	104	10,142	10,129	124	10,253
Actuarial loss /(gain) on scheme liabilities arising from changes in demographic assumptions	116	34	150	(4,242)	(57)	(4,299)
Actuarial (gain) / loss on scheme liabilities arising from changes in financial assumptions	(25,682)	(710)	(26,392)	58,807	224	59,031
Actuarial (gain) / loss on scheme liabilities arising from experience	(3,253)	194	(3,059)	(13,886)	475	(13,411)
Net benefits paid	(18,145)	(476)	(18,621)	(19,447)	(619)	(20,066)
Exchange loss / (gain)	3,328	2	3,330	19,059	(158)	18,901
Closing fair value of scheme liabilities	452,598	8,454	461,052	486,196	8,906	495,102

Changes to the fair value of scheme assets during the year

	UK Scheme	Mainland Europe Scheme	Total	UK Scheme	Mainland Europe Scheme	Total
	2022	2022	2022	2021	2021	2021
	€'000	€'000	€'000	€'000	€'000	€'000
Opening fair value of scheme assets	512,778	-	512,778	480,934	-	480,934
Settlements	-	-	-	-	-	-
Interest income on scheme assets	10,780	-	10,780	11,432	-	11,432
Re-measurement (losses) / gains on scheme assets	(6,711)	-	(6,711)	3,085	-	3,085
Regular contributions by the employer	18,212	476	18,688	17,566	619	18,185
Contributions by scheme participants	-	-	-	-	-	-
Net benefits paid out	(18,145)	(476)	(18,621)	(19,447)	(619)	(20,067)
Administration cost incurred	(799)	-	(799)	(607)	-	(607)
Exchange gain	3,820	-	3,820	19,815	-	19,815
Closing fair value of scheme assets	519,935	-	519,935	512,778	-	512,778

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

26. Pension arrangements (continued)

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

31 March 2022	UK Scheme	Mainland Europe Schemes	Total
	€'000	€'000	€'000
Fair value of scheme liabilities	(452,598)	(8,454)	(461,052)
Fair value of scheme assets	519,935	-	519,935
Surplus / (deficit) in the scheme	67,337	(8,454)	58,883

31 March 2021	UK Scheme	Mainland Europe Schemes	Total
	€'000	€'000	€'000
Fair value of scheme liabilities	(486,196)	(8,906)	(495,102)
Fair value of scheme assets	512,778	-	512,778
Surplus / (deficit) in the scheme	26,582	(8,906)	17,676

The scheme assets are invested in the following classes

31 March 2022	UK Scheme	Mainland Europe Schemes	Total
	€'000	€'000	€'000
Debt securities	515,045	-	515,045
Cash	4,890	-	4,890
Plan assets at 31 March 2022	519,935	-	519,935

31 March 2021	UK Scheme	Mainland Europe Schemes	Total
	€'000	€'000	€'000
Debt securities	483,751	-	483,751
Real estate	7,402	-	7,402
Cash	21,625	-	21,625
Plan assets at 31 March 2021	512,778	-	512,778

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

26. Pension arrangements (continued)

The main financial assumptions – UK Scheme

	31 March 2022 %	31 March 2021 %	31 March 2020 %
RPI inflation	3.4	3.0	2.5
CPI inflation	2.8	2.4	1.8
Discount rate for scheme liabilities	2.8	2.1	2.4

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 2022	31 March 2021	31 March 2020
Mortality table adopted	SAPS S3P 'Heavy' table with the following scaling applied: Member Lives Male/Female Pensioners: 92% / 104% Male/Female Deferreds: 95% / 109% Dependant Lives Female/Male Pensioners: 102% / 103% Female/Male Deferreds: 109% / 101%	SAPS S3P 'Heavy' table with the following scaling applied: Member Lives Male/Female Pensioners: 92% / 104% Male/Female Deferreds: 95% / 109% Dependant Lives Female/Male Pensioners: 102% / 103% Female/Male Deferreds: 109% / 101%	SAPS 2 "All lives" table CMI2019 Core projections (S(k)=7.0, A=0.0) with a long-term future improvement rate of 1.25% p.a. with the following scaling applied: Male pensioners 108% Female pensioners 104% Male deferred 122% Female deferred 113% Male active deferred 112% Female active deferred 98%
Life expectancy for male currently aged 65	20.7 years	20.7 years	21.0 years
Life expectancy for female currently aged 65	23.0 years	22.9 years	23.2 years
Life expectancy at 65 for male deferred currently aged 45	21.8 years	21.9 years	21.4 years
Life expectancy at 65 for female deferred currently aged 45	24.2 years	24.1 years	24.2 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 2022

26. 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 consolidated income statement credit for the year ending 31 March 2023 of €2.1 million. The expected employer contribution for the year ending 31 March 2023 is €18.5 million. The following table shows the sensitivity of this charge to changes in key assumptions:

	Impact on the 2022/23 expected charge (increase cost) / decrease cost				
	Service cost (closed to future accrual)	Administration cost	Net interest	Total consolidated income statement impact	Increase in pension obligation
	€'000	€'000	€'000	€'000	€'000
Following a 0.5% decrease in the discount rate	-	-	-	-	42,797
Following a 0.5% increase in the inflation assumption	-	-	-	-	26,394
Following a 0.5% increase in future life expectancy	-	-	-	-	2,068

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 2022 were €3.3 million (2021: €3.3 million) and €1.7 million (2021: €1.6 million).

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

27. 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:

	2022 €'000	2021 €'000
Debt (i)	(264,451)	(240,395)
Cash and cash equivalents (Note 16)	53,620	128,686
Net debt	<u>(210,831)</u>	<u>(111,709)</u>
Equity (ii)	<u>331,460</u>	<u>333,688</u>
Net debt to equity ratio	<u>63.6%</u>	<u>33.5%</u>

(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 33.5% to 63.6% during the financial year was primarily due to the significant cash outflow of €99.4 million (2021: comprehensive loss of €76.1 million)

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

	2022 €'000	2021 €'000
Net debt at 1 April	(111,709)	(116,121)
Net cash flow before financing activities	(99,350)	3,930
Exchange	228	482
Net debt at 31 March	<u>(210,831)</u>	<u>(111,709)</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

27. 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:

	2022 €'000	2021 €'000
Financial assets		
Cash and cash equivalents (Note 16)	53,620	128,686
Other financial assets	<u>214,216</u>	<u>205,103</u>
	<u>267,836</u>	<u>333,789</u>
Financial liabilities		
Bank overdraft (Note 19)	16,388	15,857
Other financial liabilities at Amortised cost	<u>427,961</u>	<u>399,408</u>
	<u>444,349</u>	<u>415,265</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 Parent Undertaking, 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 72 & 73) and interest rates (page 73).

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 2022

27. 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 Parent Undertaking.

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	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Sterling (including UK scheme net pension asset)	25,980	27,155	92,526	49,201
Zloty	23,535	30,244	47,804	45,024
Japanese Yen	4,367	4,627	2,152	1,793
US Dollar	40,994	31,040	36,506	34,197
Others	1,211	1,982	5,320	3,180
	<u>96,087</u>	<u>95,048</u>	<u>184,308</u>	<u>133,395</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	
	2022	2021	2022	2021	2022	2021
	€'000	€'000	€'000	€'000	€'000	€'000
Consolidated income statement	<u>(3,327)</u>	<u>(1,102)</u>	<u>(1,213)</u>	<u>(739)</u>	<u>224</u>	<u>(158)</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

27. 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).

Due to the COVID-19 crisis the Group has felt it to be prudent to drawdown €100 million of cash from its available short-term facilities in the year ended 31 March 2021 and to hold this for available use. During the year ended 31 March 2022 the amount held has been reduced to €15 million and was fully used by 30 June 2022.

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:

- Loss for the year ended 31 March 2022 would (decrease) / increase by €1,139,000 (2021: loss for the year would (decrease) / increase by €905,000).
- 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 2022

27. 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 2022	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	-	54,464	74,194	16,563	468	4,462	150,151	150,151
Fixed interest rate instruments	1.42	181	-	538	50,178	-	50,897	50,000
Variable interest rate instruments	0.56	107	214	963	232,945	-	234,229	227,810
		<u>54,752</u>	<u>74,408</u>	<u>18,064</u>	<u>283,591</u>	<u>4,462</u>	<u>435,277</u>	<u>427,961</u>
31 March 2021								
Non-interest bearing	-	55,292	75,198	16,034	468	4,722	151,714	151,714
Fixed interest rate instruments	1.42	179	-	538	50,898	-	51,615	50,000
Variable interest rate instruments	0.44	73	146	655	201,189	-	202,063	197,694
		<u>55,544</u>	<u>75,344</u>	<u>17,227</u>	<u>252,555</u>	<u>4,722</u>	<u>405,392</u>	<u>399,408</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

27. 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 2022	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	-	21,376	139,630	13,300	10,163	-	184,469	184,469
Fixed interest rate instruments	0.95	9	598	1,814	9,477	-	11,898	11,600
Variable interest rate instruments	6.43	98	195	878	20,206	-	21,377	18,147
		<u>21,483</u>	<u>140,423</u>	<u>15,992</u>	<u>39,846</u>	<u>-</u>	<u>217,744</u>	<u>214,216</u>
 31 March 2021								
Non-interest bearing	-	21,293	139,976	10,876	9,802	-	181,947	181,947
Variable interest rate instruments	0.60	12	23	81	23,341	-	23,457	23,156
		<u>21,305</u>	<u>139,999</u>	<u>10,957</u>	<u>33,143</u>	<u>-</u>	<u>205,404</u>	<u>205,103</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

27. Financial instruments (continued)

i. Financing facilities

The Group's centrally held facilities are listed below:

	2022	2021
	€'000	€'000
Short-term loans (excluding inter-company)		
- Amount used	227,810	197,694
- Facility	<u>333,284</u>	<u>332,943</u>
Long-term loans		
- Amount used	50,000	50,000
- Facility	<u>50,000</u>	<u>50,000</u>

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

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

NSK Ltd. is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2022. The consolidated financial statements of NSK Ltd. are available from Nissei Building, 1-6-3 Ohsaki, Shinagawa-ku, Tokyo 141-8560, Japan.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2022

28. Ultimate parent undertaking and controlling party and registered address of subsidiary undertakings - continued

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

Subsidiary undertakings	Registered address
NSK UK Limited	The Place, Bridge Avenue, Maidenhead, England, SL6 1AF
NSK Bearings Europe Limited	The Place, Bridge Avenue, Maidenhead, England, SL6 1AF
NSK Precision UK Limited	The Place, Bridge Avenue, Maidenhead, England, SL6 1AF
NSK Bearings Limited	The Place, Bridge Avenue, Maidenhead, England, SL6 1AF
RHP Bearings Europe Limited	The Place, Bridge Avenue, Maidenhead, England, SL6 1AF
NSK Steering Systems Europe (UK) Limited	The Place, Bridge Avenue, Maidenhead, England, SL6 1AF
NSK Spain SA	C /Tarragona, 161 Cuerpo Bajo, 2a Planta, 08014, Barcelona, Spain
NSK Italia SpA	Via Garibaldi 215, Garbagnate Milanese (Milano), 20024 Italy
NSK France SAS	Quartier de l'Europe, 2 Rue Guinevere, 78283 Guyancourt, France
NSK European Distribution Centre BV	De Kroonstraat 38, 5048 AP Tilburg, Netherlands
NSK Netherlands BV	De Kroonstraat 38, 5048 AP Tilburg, Netherlands
NSK Deutschland GmbH	Harkortstrasse 15, 40880 Ratingen, Germany
NEUWEG Fertigung GmbH	Ehinger Str. 5, 89597 Munderkingen, Germany
NSK Europa Holding GmbH	Harkortstrasse 15, 40880 Ratingen, Germany
NSK South Africa (Pty) Limited	25 Galaxy Ave, Frankenwald, Sandton, 2196, South Africa
NSK Bearings Polska S.A.	Kielce, ul. Jagiellonska 109, Poland
NSK Polska Sp. z o.o.	25-711 Kielce, ul. Karczowkowska 41, Poland
Iskra Centrum Narzedzi Specjalnych Sp.z.o.o.	Kielce, ul. Jagiellonska 109, Poland
NSK Steering Systems Morocco S.A.R.L	LLOT 79, C-1/79 C-10, Hangar NON 79 C-4, Tangier, Morocco.
NSK Bearings Middle East Trading Co. Ltd *	Cevizli Mah D-100 Gunley Yan Yol, Kuris Kule IS Merkezi NO2 KAT 4, Kallal, Istanbul, Turkey

Associate

NSK Needle Bearing Poland Sp.z.o.o.	25-734 Kelce, ul. Jagiellonska 109, Poland
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* Legal name: NSK Rulmanian Ota Dogu Ltd Sti

NSK Europe Limited

Company balance sheet as at 31 March 2022

	Note	2022 €'000	2021 €'000
Fixed assets			
Intangible assets	6	5,647	6,195
Tangible assets	7	10,104	9,913
Investments	8	174,665	174,665
Deferred tax assets	9	35,484	28,766
Debtors	11	35,691	26,057
Pension surplus	14	19,708	7,780
		<u>281,299</u>	<u>253,376</u>
Current assets			
Stock	10	122,477	102,264
Debtors	11	331,323	327,946
Cash at bank and in hand		<u>41,042</u>	<u>126,202</u>
		<u>494,842</u>	<u>556,412</u>
Creditors: amounts falling due within one year	12	(671,160)	(657,542)
Income tax liabilities	9	-	-
Net current liabilities		<u>(176,318)</u>	<u>(101,130)</u>
Total assets less current liabilities		<u>104,981</u>	<u>152,246</u>
Creditors: amounts falling due within one year	12	(50,000)	(50,000)
Provision for liabilities	13	(3,357)	(6,882)
		<u>51,624</u>	<u>95,364</u>
Net assets		<u>51,624</u>	<u>95,364</u>
Capital and reserves			
Called up share capital	15	90,363	90,363
Profit and loss reserve		<u>(38,739)</u>	<u>5,001</u>
Total shareholder's funds		<u>51,624</u>	<u>95,364</u>

The Company has taken advantage of the exemption in the Companies Act 2006 Section 408 not to present its own Income statement. The Company financial statements on pages 78 to 103 were approved by the Board of Directors and signed on its behalf by:

B Reimann

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Bate Reimann

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Director

NSK Europe Limited

Registered number: 02223191

Date: 15/12/2022

NSK Europe Limited

Company statement of changes in equity for the year ended 31 March 2022

	Called up share capital	Profit and loss reserve	Total shareholder's funds
	€'000	€'000	€'000
At 1 April 2020	90,363	71,257	161,620
Loss for the year	-	(56,673)	(56,673)
Actuarial loss on defined benefit plans	-	(10,617)	(10,617)
Income tax effect	-	1,034	1,034
Total other comprehensive expense	-	(9,583)	(9,583)
Total comprehensive income	-	(66,256)	(66,256)
At 31 March 2021	90,363	5,001	95,364
Loss for the year	-	(48,677)	(48,677)
Actuarial gain on defined benefit plans	-	6,583	6,583
Income tax effect	-	(1,646)	(1,646)
Total other comprehensive income	-	4,937	4,937
Total comprehensive expense	-	(43,740)	(43,740)
At 31 March 2022	90,363	(38,739)	51,624

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

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. On 21 November 2021 the Company changed its registered address to The Place, Bridge Avenue, Maidenhead, England, SL6 1AF.

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)	Principal activity	Disclosed in the Directors' report within the Group accounts.
(iv)	Auditor's remuneration	Note 6 of the Group accounts.
(v)	List of subsidiaries	Note 23 & 28 of the Group accounts
(vi)	Directors' emoluments	Note 8 and Note 22 of the Group accounts.
(vii)	Ultimate parent undertaking and controlling entity	Note 28 of the Group accounts

Going concern

The directors have defined the going concern period as the 12-month period commencing from the date of approval of these financial statements.

The Company is part of a larger Group which manages cash resources on a group wide basis. As such NSK Ltd., the immediate parent company, has confirmed in writing that it will support the Company to meet its liabilities as they fall due throughout the going concern period.

In assessing whether the going concern basis is appropriate the directors have taken account of all available information about the future up to 12 months from the date of approval of this report. The directors have concluded that NSK Ltd. can fulfil its obligations under the parental support arrangement. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

2. Statement of compliance

The individual financial statements of NSK Europe Limited have been prepared in compliance with 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 Income statement.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

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.

4. Summary of significant accounting policies

Turnover

Turnover, 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.

Turnover 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.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

4. Summary of significant accounting policies - continued

Stock

Stock, 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 income statement.

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.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

4. Summary of significant accounting policies - continued

Intangible assets

Research costs are expensed in the profit and loss 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 in the income statement.

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.

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.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

5. Critical accounting judgements and estimation uncertainty - continued

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:

(i) 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) Stock 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 stock and the associated provisioning required. The stock provisions for slow moving or obsolete stock and net realisable value are first of all calculated automatically by our stock management system by reference to latest sales prices, quantity of stock 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 €2.7 million (2021: €5.4 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 2022

6. Intangible assets

	Development in progress	Capitalised software	Total
	€'000	€'000	€'000
Cost or valuation			
At 1 April 2021	1,610	19,303	20,913
Additions	1,465	-	1,465
Scrapped	-	(13)	(13)
Transfer from development in progress	(1,808)	1,808	-
At 31 March 2022	1,267	21,098	22,365
Accumulated amortisation			
At 1 April 2021	-	14,718	14,718
Charge for the year	-	2,013	2,013
Scrapped	-	(13)	(13)
At 31 March 2022	-	16,718	16,718
Net book value			
At 31 March 2022	1,267	4,380	5,647
At 31 March 2021	1,610	4,585	6,195

Development in progress relates to other software projects currently in development.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

7. Tangible assets

	Land and buildings	Assets in progress	Plant and machinery	Fixture and fittings and motor vehicles	Total
	€'000	€'000	€'000	€'000	€'000
Cost or valuation					
At 1 April 2021	5,059	533	6,382	13,568	25,542
Additions	-	2,433	-	-	2,433
Transfers from assets in progress	8	(2,146)	1,192	946	-
Adjustments	-	-	-	61	61
Scrapped	-	-	-	(441)	(441)
At 31 March 2022	5,067	820	7,574	14,134	27,595
Accumulated depreciation					
At 1 April 2021	2,795	-	4,322	8,512	15,629
Charge for the year	128	-	519	1,522	2,169
Scrapped	-	-	-	(435)	(435)
Impairment	-	128	-	-	128
At 31 March 2022	2,923	128	4,841	9,599	17,491
Net book value					
At 31 March 2022	2,144	692	2,733	4,535	10,104
At 31 March 2021	2,264	533	2,060	5,056	9,913

The book value of land and buildings comprises €2.1 million (2021: €2.3 million) which is freehold, and €nil (2021: €nil) which is leasehold.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

8. Investments

The Company holds investments in subsidiary undertakings as set out in note 23 of the Group accounts.

	€'000
Subsidiary undertakings – cost	
At 1 April 2021 and 31 March 2022	280,483
Subsidiary undertakings – impairment	
At 1 April 2021 and 31 March 2022	106,170
Subsidiary undertakings - net book value	
At 31 March 2022	<u>174,313</u>
At 31 March 2021	<u>174,313</u>
Associates	
At 1 April 2021	<u>352</u>
At 31 March 2022	<u>352</u>
Total Investments – net book value	
At 31 March 2022	<u>174,665</u>
At 31 March 2021	<u>174,665</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 2022

9. Taxation

Current tax assets and liabilities

	2022	2021
	€'000	€'000
Income tax liabilities	-	-
	<u>-</u>	<u>-</u>

Deferred Tax Assets

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 income statement	Recognised in Other comprehensive income	Closing balance
	1 April 2021			31 March 2022
	€'000	€'000	€'000	€'000
Accelerated capital allowances	5,655	(1,171)	-	4,484
Other short term timing differences	291	(280)	-	11
Pension	(1,478)	407	(1,646)	(2,717)
Tax losses	24,298	9,408	-	33,706
	<u>28,766</u>	<u>8,364</u>	<u>(1,646)</u>	<u>35,484</u>
Deferred tax asset				

Due to the reduced profitability of the NSK Europe Limited Group following the COVID-19 crisis the Company has determined that the deferred tax asset will only be recoverable in the long term. Accordingly, it is no longer presented as a current asset.

Deferred tax not recognised

	2022	2021
	€'000	€'000
Tax losses	28,863	11,387
	<u>28,863</u>	<u>11,387</u>

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

10. Stock

	2022 €'000	2021 €'000
Finished goods and goods for resale	<u>122,477</u>	<u>102,264</u>
	<u>122,477</u>	<u>102,264</u>

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

During the year as a result of the Russia / Ukraine conflict the Company has written off €0.6 million inventory held and ordered for the Russian market.

11. Debtors

	2022 €'000	2021 €'000
Gross trade debtors	2,287	6,655
Provision for doubtful debts	-	-
Rebates and discounts	(1,412)	(835)
Trade debtors	875	5,820
Amounts owed by subsidiary undertakings	201,967	188,804
Amounts owed by Group undertakings	14,352	16,017
Amounts owed by associated undertakings	3	-
Fixed terms loans to UK Group undertakings	103,294	103,263
Other debtors	259	285
VAT debtor	4,948	4,651
Prepayments and accrued income	5,625	9,106
Trade and other debtors falling due within one year:	<u>331,323</u>	<u>327,946</u>
Other debtors falling due after more than one year	9,863	9,501
Amounts owed by Group undertakings	<u>25,828</u>	<u>16,556</u>
	<u>35,691</u>	<u>26,057</u>
Total trade and other debtors	<u>367,014</u>	<u>354,003</u>

From the perspective of the Company, amounts owed by Group undertakings means amounts receivable from other companies outside of the Group which are ultimately owned by NSK Ltd. Fixed term loans to UK companies 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 receivables falling due after one year includes €9.8 million (2021: €9.5 million) of amounts paid to customers, which are to be amortised against future revenue over the contractual period. During the year as a result of the Russia / Ukraine conflict the Company wrote off €3.5 million of upfront payments made to customers.

Amounts owed by Group undertakings falling due after one year reflects a loan balance to a company ultimately owned by NSK Ltd. and which is repayable in December 2024.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

12. Creditors

Amounts falling due within one year:

	2022 €'000	2021 €'000
Bank overdrafts	91,727	127,024
Bank loans	227,810	197,694
Bank loans and overdrafts	319,537	324,718
Trade creditors	4,172	6,558
Amounts owed to subsidiary undertakings	213,752	187,927
Amounts owed to Group undertakings	77,820	81,443
Fixed terms loans from a UK Group undertaking	41,000	41,000
VAT	7,976	6,708
Other creditors	6,903	9,188
	<u>671,160</u>	<u>657,542</u>

Amounts falling due after one year:

	2022 €'000	2021 €'000
Bank Loans	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

From the perspective of the Company, amounts owed to Group undertakings means amounts owed to other companies outside of the Group, which are ultimately owned by the Parent Undertaking, NSK Ltd. There were no loan balances made to the Company from related parties. The overdraft in the Company of €91.7 million (2021: €127.0 million) falls within the Group's cash pooling arrangements.

As a result of the Russia / Ukraine conflict, the Company has agreed to compensate NSK Polska Sp. z o.o for its potential bad debts from receivable balances from Russian customers. A compensation amounting to €1.7 million is included in Amounts owed to subsidiary undertakings. Additionally, a liability was recognised for inventory ordered but not yet received of €1 million in the Company.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

12. Creditors - continued

Bank loans

The bank loans are repayable as follows:

	2022 €'000	2021 €'000
Within one year – Short term loans	227,810	197,694
Long term loan	50,000	50,000
	<u>277,810</u>	<u>247,694</u>

The bank loans by currency:

	Euro €'000	Zloty €'000	US Dollar €'000	Total €'000
31 March 2021	<u>235,699</u>	<u>6,451</u>	<u>5,544</u>	<u>247,694</u>
31 March 2022	<u>267,000</u>	<u>-</u>	<u>10,810</u>	<u>277,810</u>

All loans are unsecured. The Floating rate loans are held with three banks (2021: two). Interest rate ranges from 0.0% to 1.42% (2021: 0.34% to 1.42%), with a weighted average interest of 0.56% (2021: 0.72%).

Long Term Bank loans

	2022 €'000	2021 €'000
Within one to five years	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

The long-term loan is repayable on 17 April 2023 and carries an interest rate of 1.42%.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

13. Provisions for liabilities

	2022 €'000	2021 €'000
Litigation and other legal matters	2,728	5,350
Provision for closure of St Petersburg office	550	-
Reorganisation provisions	79	1,532
	<u>3,357</u>	<u>6,882</u>

Litigation and other legal matters

	2022 €'000	2021 €'000
Beginning of year	5,350	12,559
Released in the year	(1,422)	(5,914)
Utilised in the year	<u>(1,200)</u>	<u>(1,295)</u>
End of year	<u>2,728</u>	<u>5,350</u>

The provision for litigation and other legal matters relates to:

(i) Ongoing third-party claims in connection with the European Commission decision against various bearing manufacturers, including NSK Ltd. (the Parent Undertaking 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. As any potential new cases are now time barred the Company determined in the year ended 31 March 2021 that the remaining provision could be reduced by €5,913,614. The remaining provision is expected to be utilised and or released over the next two to three years.

(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. These matters were resolved due to events occurring during the year ended 31 March 2022. The Company consequently took a credit to the financial statement of €1,421,500 in the year ended 31 March 2022.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

13. Provisions for liabilities - continued

Provision for closure of St Petersburg office

	2022 €'000	2021 €'000
Beginning of year	-	-
Charged to the income statement	550	-
Utilised in the year	-	-
End of year	550	-

The provision is in respect of closure of the Group's office in St Petersburg following the start of the Russia/ Ukraine conflict and relates primarily to redundancy costs. The provision was fully utilised by the end of September 2022. The St Petersburg office is a branch of NSK Polska Sp. z o.o. however the cost is borne by NSK Europe Limited as it was a strategic decision to close the operations in Russia, the supply being delivered by the operation was not on the sanctioned list.

Reorganisation provision:

	2022 €'000	2021 €'000
Beginning of year	1,532	697
Charged to the income statement	-	1,240
Utilised in the year	(1,453)	(405)
End of year	79	1,532

The charge in the prior year represented the cost of closing the Steering function at a subsidiary company NSK Bearings Europe Limited. The charge is borne by NSK Europe Limited as this was a strategic non-plant decision made by NSK Europe Limited with any remaining activity being also moved to a sister Company, which is operationally managed by NSK Europe Limited.

The remaining provision is expected to be utilised by 31 March 2023.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

14. Pension surplus

The Company is a member of the UK Scheme as described in note 26 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:

Guaranteed minimum pension equalisation (GMPs)

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The Company provided in year ended 31 March 2019 €2,238,000 in respect of this matter.

A further court case was heard in 2020 concerning whether historic statutory transfer values paid out of schemes before 2018 need to be equalised. The court ruling made on 20 November 2020 confirmed that statutory transfers with GMPs built up between 17 May 1990 and 5 April 1997 need to be equalised. However, the Scheme's Trustee has received legal advice that the 2020 ruling does not place an obligation on the Trustee to pay top-ups in relation to transfers made as part of the Scheme's enhanced transfer value (ETV) exercises.

The new ruling led to a further additional liability being recognised by the Company of €285,000 in the year ended 31 March 2021.

The assets of the schemes at 31 March 2022

	€'000
Fair value of Scheme assets	152,176
Present value of Scheme liabilities	(132,468)
Pension surplus	<u>19,708</u>
	€'000
Bonds	150,806
Cash	1,370
Market value of Scheme assets	<u>152,176</u>

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

14. Pension surplus - continued

The assets of the schemes at 31 March 2021

	€'000
Fair value of Scheme assets	150,081
Present value of Scheme liabilities	(142,301)
Pension surplus	<u>7,780</u>

	€'000
Bonds	141,586
Real estate	2,162
Cash	6,333
Market value of Scheme assets	<u>150,081</u>

Reconciliation of scheme assets and liabilities

	Scheme assets 2022 €'000	Scheme liabilities 2022 €'000
At beginning of the year	150,081	142,301
Interest on pension scheme liabilities	-	2,938
Expected return on pension scheme assets	3,154	-
Employer contributions	5,242	-
Administration costs	(234)	-
Benefits paid	(5,310)	(5,310)
Change of assumptions	-	(7,483)
Other actuarial movement	(1,852)	(952)
Exchange arising on pension surplus	1,095	974
At end of the year	<u>152,176</u>	<u>132,468</u>

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

14. Pension surplus - continued

Main Financial Assumptions at each year-end

	2022 % Per annum	2021 % Per annum
CPI inflation	2.8	2.4
Discount rate	2.8	2.1
RPI inflation	3.4	3.0

The main demographic assumptions:

	31 March 2022	31 March 2021
Mortality table adopted	SAPS S3P 'Heavy' table with the following scaling applied: Member Lives Male/Female Pensioners: 92% / 104% Male/Female Deferreds: 95% / 109% Dependant Lives Female/Male Pensioners: 102% / 103% Female/Male Deferreds: 109% / 101%	SAPS S3P 'Heavy' table with the following scaling applied: Member Lives Male/Female Pensioners: 92% / 104% Male/Female Deferreds: 95% / 109% Dependant Lives Female/Male Pensioners: 102% / 103% Female/Male Deferreds: 109% / 101%
Life expectancy for male currently aged 65	20.7 years	20.7 years
Life expectancy for female currently aged 65	23.0 years	22.9 years
Life expectancy at 65 for male currently aged 45	21.8 years	21.9 years
Life expectancy at 65 for female currently aged 45	24.2 years	24.1 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.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

14. Pension surplus - continued

Analysis of the defined benefit cost for the year ended 31 March 2022

	€'000
Analysis of amounts charged to operating profit	
Administration expenses	234
Total operating cost	234
Analysis of amounts (credited) / charged to finance income	
Expected return on pension scheme assets	(3,154)
Interest on pension scheme liabilities	2,938
Interest receivable	(216)
Foreign currency translation gain	(121)
Net finance income	(337)
	€'000
Other comprehensive expense / (income):	
Actual return less expected return on pension scheme assets	1,852
Experience gains and losses arising on the scheme liabilities	(952)
Change in assumptions underlying the scheme liabilities	(7,483)
Actuarial income recognised in other comprehensive income	(6,583)

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

14. Pension surplus – continued

Analysis of the defined benefit cost for the year ended 31 March 2021

	€'000
Analysis of amounts charged to operating profit	
Administration expenses	174
Guaranteed minimum pension equalisation	285
Total operating cost	459
Analysis of amounts (credited) / charged to finance income	
Expected return on pension scheme assets	(3,276)
Interest on pension scheme liabilities	2,903
Interest receivable	(373)
Foreign currency translation gain	(270)
Net finance income	(643)
	€'000

Other comprehensive (income) / expense:

Actual return less expected return on pension scheme assets	(3,871)
Experience gains and losses arising on the scheme liabilities	(1,149)
Change in assumptions underlying the scheme liabilities	15,637
Actuarial loss recognised in other comprehensive expense	10,617

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

14. Pension surplus – continued

Analysis of movements in the surplus during the year ended 31 March 2022

	€'000
Movement in surplus during the year:	
Surplus at the beginning of the year	7,780
<i>Movement in the year:</i>	
Administration expenses	(234)
Contributions – regular	5,242
Other finance income	216
Foreign currency translation income	121
Actuarial loss	6,583
Surplus in the scheme at the end of the year	19,708

Analysis of movements in the surplus during the year ended 31 March 2021

	€'000
Movement in surplus during the year:	
Surplus at the beginning of the year	13,224
<i>Movement in the year:</i>	
Administration expenses	(174)
Guaranteed minimum pension equalisation	(285)
Contributions - regular	4,989
Other finance income	373
Foreign currency translation loss	270
Actuarial gain	(10,617)
Surplus in the scheme at the end of the year	7,780

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

14. Pension surplus – continued

History of experience gains and losses

	Year ended 31 March 2022 €'000	Year ended 31 March 2021 €'000
History of experience gains and losses:		
Difference between the expected and actual return on scheme assets:		
Amount	(1,852)	3,871
Percentage of scheme assets	1.2%	2.6%
Experience gain on scheme liabilities:		
Amount	952	1,149
Percentage of the present value of scheme liabilities	0.7%	0.8%
 Total amount recognised in statement of comprehensive income:		
Amount	6,583	(10,617)
Percentage of the present value of scheme liabilities	<u>5.0%</u>	<u>7.5%</u>

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

15. Called up share capital

	2022 €'000	2021 €'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 (2021: 58,526,000) translated at historic rate of 1.544 Euro's.

16. Guarantees and other financial commitments

Capital commitments:

	2022 €'000	2021 €'000
Contracted but not provided for	<u>1,342</u>	<u>2,375</u>

Lease commitments:

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

	2022 €'000	2021 €'000
Within one year	483	385
Between two and five years	<u>700</u>	<u>304</u>
	<u>1,183</u>	<u>689</u>

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

16. Guarantees and other financial commitments - continued

Contingent liabilities:

	2022	2021
	€'000	€'000
Bank guarantees	816	822
Bank overdraft cross guarantees	87,294	58,870
	<u>88,110</u>	<u>59,692</u>

Various legal entities within the Group are party to a bank overdraft cross guarantee arrangement (primarily intercompany within NSK Europe Limited). From the perspective of the Company the contingent liability shown above includes guarantees made to any other UK entity.

At 31 March 2022, the Company's gross maximum potential liability under the cross-guarantee arrangement amounted to €87.2 million (2021: €58.9 million), with net maximum potential liability under the cross-guarantee arrangement of €56.7 million (2021: €14.8 million).

17. Parent company income statement

The Company has taken advantage of the exemption in the Companies Act 2006 Section 408 not to present its own income statement. The Company's loss for the financial year, determined in accordance with the Act, was €49.1 million (2021: loss €56.7 million).

18. 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 22 of the Group financial statements.

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

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

NSK Ltd is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2022. The consolidated financial statements of NSK Ltd are available from Nissei Building, 1-6-3 Ohsaki, Shinagawa-ku, Tokyo 141-8560, Japan.

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2022

20. Russia / Ukraine conflict

On 24th February 2022 Russia invaded Ukraine, as a result of this the Company has had a number of write off's and made provisions as summarised below:

€'000

Russia / Ukraine conflict summary of Financial Impact:

Inventory written off (Note 10)	602
Recognise liability for Inventory Ordered (Note 12)	956
Write off amounts owed by customers (Note 11)	3,466
Compensation to NSK Polska Sp. z.o.o for bad debts (Note 12)	1,731
Closure of St Petersburg office (Note 13)	550
Provision for Russia / Ukraine conflict	<u>7,305</u>