

NSK Europe Limited

Registered No: 02223191

NSK Europe Limited
Annual report and financial statements
for the year ended 31 March 2023

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NSK Europe Limited

Annual report and financial statements for the year ended 31 March 2023

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NSK Europe Limited

Directors' report for the year ended 31 March 2023

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 2023 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 2023. 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

- On 12 May 2023, NSK Ltd., the parent undertaking, entered into a Joint Venture agreement (the "JV agreement") with Japan Industrial Solutions III Investment Limited Partnership ("JIS").

Under the JV agreement, NSK Ltd. and JIS agreed for NSK Ltd. to transfer to JIS class shares equivalent to 50.1% of the voting rights of NSK Steering & Control Inc. ("NS&C"), the subsidiary of NSK Ltd. that controls its global steering business.

NSK Ltd. had concluded that inviting JIS to be a partner in its steering business was important to further the aim to improve the global steering business as quickly as possible.

The JV agreement took effect on 1 August 2023 and as of this date NS&C and its' subsidiaries became equity-method accounted affiliates of NSK Ltd. From the perspective of NSK Europe Limited, the Steering Business (which is presented as part of Automotive Bearings & Components in Note 3 of the Group financial statements) will be transferred to the new JV and will represent a discontinued operation for NSK Europe Limited for the year ending 31 March 2024. As of 31 March 2023, while NSK Ltd. was considering various potential options for the Steering business it was not available for immediate sale in its present condition as multiple steps have subsequently been required to identify and separate the Steering business from NSK Europe Limited's automotive bearings and components division. As such the steering business as a whole is not treated as a discontinued operation for the year ended 31 March 2023.

Nevertheless, in anticipation of a potential future transaction some preparatory steps were taken prior to 31 March 2023. The most significant step was the disposal of NSK Steering Systems Morocco S.A.R.L, the steering manufacturing and sales business owned by the NSK Europe Limited to NSK Ltd. on 31 March 2023. This resulted in a loss to the Group off €0.6 million (Note 29). This disposal is treated as a discontinued operation in these financial statements. In addition, a loan of Zloty 77 million (€16.5 million) to a Polish steering manufacturing sister company was repaid to the Group in advance of its maturity date (Note 13).

NSK Europe Limited

Directors' report for the year ended 31 March 2023 (continued)

Other matters (continued)

- During the year ended 31 March 2023 the Group announced a voluntary redundancy programme impacting its German subsidiary, NSK Deutschland GmbH. The total cost of the programme was €3.1 million and has been reflected in these Financial Statements. The programme was part of the cost reduction initiatives implemented across the Group.
- On 28 July 2023 the company received a dividend of €40 million from its subsidiary NSK UK Limited.

Dividends

No dividend is recommended for the year ended 31 March 2023 (2022: nil).

Directors

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

A Ichii	
U Nass	
T Parker	(Director and Company Secretary)
M Komaba	(Appointed 24 August 2022)
K Suzuki	(Appointed 12 July 2023)
M Trivett	(Appointed 16 October 2023)
S Nogami	(Resigned 12 July 2023)
B Reimann	(Resigned 16 May 2023)

Charitable and political donations

During the year the Group made charitable donations of €16,697 (2022: €11,391) to various local causes in the EMEA region.

There were no political donations in the year (2022: nil).

International financial reporting standards

These financial statements for the year ended 31 March 2023 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 the 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:

NSK Europe Limited

Directors' report for the year ended 31 March 2023 (continued)

Statement of directors' responsibilities (continued)

- 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.

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 €2.4 million as of 31 March 2023 (31 March 2022: net current assets of €66.6 million). Net cash and cash equivalents as referred to in the consolidated cashflow statement on page 24 were €38.3 million as of 31 March 2023 (31 March 2022: €37.2 million).

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 2023 (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 36 days during the year ended 31 March 2023 (2022: 40 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 and 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 2022 to 31 March 2023, 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 are mandatory and reflect the average emissions intensity of grid supplies (using grid average emissions factors) and market-based are voluntary and reflect emissions from energy where companies have a contractual agreement to procure green energy.

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 kept in the client's evidence pack.

Energy and fuel consumption has been converted to carbon (kgCO₂e) using DEFRA published conversion factors.

New DEFRA conversion tables are issued in June and cover January to December, our financial year covers two data sets, and to ensure consistency this report has therefore used the annual published factors covering the largest proportion i.e. April to December 2022.

Transport data for the year ended 31 March 2023 was reported as both fuel card data and mileage claims which were converted into litres of fuel using the DEFRA tables to calculate average miles per litre and this conversion applied.

Due to updated invoices, there has been an increase of 6,886 kWh, 0.92 tCO₂e reported for 31 March 2022 in this report compared to the energy and emissions reported last year for the same reporting period.

We have 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.

NSK Europe Limited

Directors' report for the year ended 31 March 2023 (continued)

Streamlined Energy and Carbon Reporting (SECR) (continued)

Energy Efficiency Action Taken

The year ended 31 March 2023 saw a number of activities implemented to reduce our total CO₂ emissions within the UK.

- All UK manufacturing plants and Newark offices/warehouse continued to source REGO-backed electricity, which resulted in CO₂ reductions of approximately 10,000 tonnes over a full year.
- The Group continued to introduce improvements to reduce energy consumption and CO₂ emissions with continued replacement of incandescent lighting with High efficiency LED units and commencement of a compressor replacement project at the Peterlee site – which will achieve a 28% improvement in output efficiency.
- All UK Distribution Centre forklift trucks are now electric powered.
- The Global policy of NSK Ltd., is to achieve scope 1 & 2 carbon neutrality by 2035.

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 2023 location-based	31 March 2022 location-based	Variance location based	31 March 2023 market-based	31 March 2022 market-based	Variance market- based
Scope 1 (Fuel combustion in buildings)	2,846	3,699	-23%	2,846	3,699	-23%
Scope 1 (Fuel combustion in vehicles)	128	112	14%	128	112	14%
Scope 1 (Fuel combustion in mobile and static plant)	45	26	74%	45	26	74%
Scope 2 (Electricity)	5,635	6,647	-15%	0	2,877	-100%
Total	8,654	10,484	-17%	3,019	6,714	187%

Company's chosen intensity metric: tCO₂e/SqM

	31 March 2023 location-based	31 March 2023 market-based	Variance
Emissions reported per square metre - Gross Internal Area	0.118	0.041	187%

Underlying global energy data for period:

Energy use (kWh)	31 March 2023	31 March 2022	Variance
Electricity	29,140,156	31,298,183 *	-7%
Natural Gas	15,592,141	20,208,272 *	-23%
Mobile and Static Plant Fuel	209,649	120,440	74%
Transport Fuel	556,626	463,118 *	20%
Total	45,498,572	52,090,013 *	-13%

* Amended for actual invoices received compared with estimate total 52,090,014 versus 52,083,128 presented previously, difference of 6,886.

Renewable Energy Percentage	31 March 2023	31 March 2022	Variance
Electricity	100%	58%	73%

NSK Europe Limited


Directors' report for the year ended 31 March 2023 (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

Tim Parker
Director

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Date: 17/11/2023

NSK Europe Limited

Strategic report for the year ended 31 March 2023

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

Key Performance indicators

Revenue for the year was €903.6 million (2022: €832.1 million). Loss before tax was €22.7 million (2022: loss before tax €24.8 million). The operating loss was €19.3 million (2022: €24.1 million). Revenue, profit / (loss) before tax and the operating result are considered to be the Group's key performance indicators. The results of the business are discussed below:

Review of the Business

The business environment during the year ended 31 March 2023 remained very challenging.

The Automotive bearing and components business was impacted by the global shortage of semiconductors and supply-side issues. The supply issues were further impacted by China's Zero Covid policy during the year. However, as the year progressed the supply side issues eased and the Automotive business increased sales for the year to €424.5 million (2022: €359.8 million).

The Industrial bearings and machinery business recorded relatively flat sales of €479.2 million (2022: €472.4 million) as: the full year impact of the loss of sales to Russia were felt (2022: 1.5 months of sales lost); low or negative growth was experienced in key business segments; and increased competition made any substantial growth difficult.

Another key challenge in the year was inflation which impacted all areas of our business including steel, electricity and other energy prices, shipping cost, salaries and wages. Inflation continues to be an issue in the year ending 31 March 2024. To negate the impact of inflation we entered into discussions to increase our prices to our customers where possible and also took action to control the cost base.

The operating loss for the year was €19.3 million (2022: €24.1 million). If we adjust for the impact of Russia write offs in the year ended 31 March 2022, Provision for liabilities and Pension costs in both years the amended Operating loss for the year ended 31 March 2023 is €13.0 million (2022: €16.4 million) which is relatively flat, illustrating the difficulty of current trading conditions even with increased revenue in the year of €71.5 million.

The loss before tax was €22.7 million (€24.8 million). Increasing interest rates meant that the Group paid net interest on bank borrowings and deposits of €4.1 million (2022: €1.5 million). Currently the Group only has floating rate borrowings and as interest rates accelerated in the second half of the year ended 31 March 2023 the interest cost for the year ended 31 March 2024 will continue to increase.

For the first six months of the year ending 31 March 2024, trading conditions remain difficult but are showing signs of improvement. However, an operating loss was still recorded for the period.

On 12 May 2023 NSK Ltd., the parent undertaking entered into a Joint Venture ("JV") agreement with Japan Industrial Solutions III Investment Limited Partnership ("JIS"). From the perspective of NSK Europe Limited, the Steering Business (which is presented as part of Automotive Bearings & Components in Note 3 of the Group financial statements) will be transferred to the new JV and will represent a discontinued operation for NSK Europe Limited for the year ending 31 March 2024. Consequently, there will be a significant reduction of revenue. However, in terms of performance we expect to make an operating loss but at a reduced level compared with the year ended 31 March 2023. Cash flow (excluding financing activity) will be negative, due primarily to the operating loss, capital expenditure, increasing interest costs and payments to the UK pension scheme. However, the anticipated outflow, excluding any uncommitted one-off items, will still be within the Company's available borrowing facilities.

The net assets of the Group at the end of the year were €256.5 million (2022: €331.5 million).

NSK Europe Limited

Strategic report for the year ended 31 March 2023 (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 2023 and to the date of this report is as set out below:

U. Nass – Chief Executive officer

M. Komaba – Deputy Head of all European Operations (appointed 24 August 2022)

A Browne – Interim Chief Financial Officer (appointed 3 April 2023)

M. Trivett – Chief Financial Officer (appointed 16 October 2023)

R. Butler – Managing Director, European Industrial Business Unit

M. Lavieuville – Managing Director, European Automotive Business Unit (appointed 1 January 2023)

T. Doran – Senior Director European Project Management Office

C. Yesilbas – European Director of Quality

A. Savage – European Human Resources Director

T. Parker – Legal Director and Company Secretary

K. Ibrahim – Managing Director, European Steering Business Unit (resigned 1 August 2023)

F. Keiffer – Managing Director, European Automotive Business Unit (resigned 31 December 2022)

V. Polonyi – Engineering Director (resigned 30 April 2022)

B. Reimann – Chief Financial Officer and Head of ICT (resigned 30 April 2023)

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 2023 (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
A widening of The Russia / Ukraine conflict could impact the financial position of the Group.	The Group has made full provision for potential known losses from its operations and sales into Russia, Ukraine and Belarus. However, the conflict is ongoing any widening or escalation of the conflict could further create supply issues and or the need for a further financial write off.	<ul style="list-style-type: none"> The Group established a Crisis Management team to coordinate appropriate countermeasures to the Russian/Ukraine conflict. For the time being this has been discontinued. However, the Group now has demonstrable experience of being able to set up such teams to deal with crises in a timely and co-ordinated matter (Covid-19, Russia-Ukraine conflict, Working capital management).
COVID-19 could materially impact the financial position of the Group.	It is now unlikely that Europe would enter another full lock-down. However, during the year the Group still faced Supply-chain issues, for example the lockdown in Shanghai leading to shortage of rings and other parts. The action of a key country such as China imposing a Zero-Covid-19 policy is still therefore a financial risk.	<p><i>General</i></p> <ul style="list-style-type: none"> Safety procedures introduced at all sites in accordance with relevant government guidelines. Due to the continuing low infection rates in the summer of 2022 and reduced health risks, the Plants 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. Flexible working arrangements introduced for those employees able to work from home. COVID-19 safety guidelines issued to all staff. <p><i>Supply side</i></p> <ul style="list-style-type: none"> Alternative suppliers sourced where possible to remove reliance on one region.
Inflation in Energy prices and other areas	Inflationary pressures have impacted the Group during the year ended 31 March 2023 and into the year ending 31 March 2024. Energy prices have fallen from their peak levels following the start of the Russia – Ukraine conflict but have led to rises in Steel prices, component costs and salary and wage levels.	<ul style="list-style-type: none"> The Group has actively been negotiating with customers to pass on inflationary price rises wherever possible, most customers are sympathetic of the issues faced in the Business environment currently. The Group additionally has looked to reduce its cost base and control costs as tightly as possible in the current difficult trading conditions including a voluntary redundancy programme in Germany in the year ended 31 March 2023 and in France in the first quarter of the year ending 31 March 2024.
The worldwide semiconductor shortage and other supply side issues continue to hinder business recovery.	This was the key issue facing the Group during the year ended 31 March 2022 and lasted well into the year ended 31 March 2023. The issue eased in the last quarter of the year ended 31 March 2023 and is expected to be less of a risk for the year ending 31 March 2024, with constraints in Europe expected to end and growth returning to the automotive sector.	<ul style="list-style-type: none"> The Group continues to work with its customers as closely as possible to anticipate shifts in demand. Inventory was reduced in the year ended 31 March 2023 in accordance with demand.
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. Discontinuation over time of loss making / low profitability lines. Active pursuit of price increases to offset inflationary pressure.

NSK Europe Limited

Strategic report for the year ended 31 March 2023 (continued)

Financial and Business risk management (continued)

Area of potential risk	Potential impact	Mitigating activity
Impact of interest rate increases	There have been large interest rate increases globally. The Group has borrowing in primarily in Euro's but also US Dollars. The cost of Euro daily borrowing has increased more than 10-fold from circa 0.35% as at 31 March 2022 to 4.0%+ currently and is still rising. This increased substantially our interest costs in the year ending 31 March 2023, but will be much more severe for the year ending 31 March 2024 as the largest interest rate increases took place in the latter part of 2022/23; additionally the Group had a €50 million loan which matured on 17 April 2023 which bore interest at 1.42% being replaced by short-term borrowing at current rates.	<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. The funding proposal is expected to be submitted and agreed in the third quarter of the year ending 31 March 2024. The Group, in the year ending 31 March 2024, has entered into arrangements with NSK Ltd., for it to underwrite the Group's borrowing via parental guarantee. Whilst this will entail additional payments from the Group to secure this arrangement it protects the Group from more severe interest rates being imposed following 3 years of losses as a result of Covid-19, the Semi-Conductor and other supply issues, and the Russian -Ukraine conflict.
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. Ability 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. Code of Ethics and 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 ended 31 March 2023 which will be revamped in the year ending 31 March 2024 to drive working capital improvement initiatives. The Company is part of a much larger Group, NSK Ltd., which continues to support the European operations. Funding proposal presented to NSK Ltd. in the second quarter of the year ending 31 March 2024.
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. The Group is exploring buy-in (third-party taking ownership) options for the pension liabilities, this would likely require additional funding to be made available from NSK Ltd., either directly or support from them to increase our local facilities.
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"> Information security management based on the principles of ISO27000. Maintain Trusted Information Security Assessment Exchange ("TISAX") Certification, based on key aspects of ISO27000, for sites requested by customers. 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 2023 (continued)

Financial and Business risk management (continued)

Area of potential risk	Potential impact	Mitigating activity
Impact of JIS joint venture on customers and suppliers.	The establishment of a JV with JIS and transfer of our Steering component business could cause disruption both to us from our suppliers and to our customers with dealing with a new entity.	<ul style="list-style-type: none"> Ongoing discussions with Customer and supplier about changed ownership. Day to day business relationship will be with same people.

Research and development activity

Research and development continue 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 will remain challenging but there are positive signs as we expect the semi-conductor and supply issues to ease further.

We do not expect any revival of our business in Russia in the near future.

On 12 May 2023 NSK Ltd., the Parent company of NSK Europe Limited entered into a Joint Venture ("JV") agreement with Japan Industrial Solutions III Investment Limited Partnership ("JIS"). From the perspective of NSK Europe Limited, the Steering Business (which is presented as part of Automotive Bearings & Components in Note 3 of the Group financial statements) will be transferred to the new JV from 1 August 2023 and will represent a discontinued operation for NSK Europe Limited for the year ending 31 March 2024. Consequently, there will be a significant reduction of revenue. However, in terms of performance we expect to make an operating loss but at a reduced level compared with the year ended 31 March 2023. Cash flow (excluding financing activity) will be negative, due primarily to the operating loss, capital expenditure, increasing interest costs and payments to the UK pension scheme. However, the anticipated outflow, excluding any uncommitted one-off items, will still be within the Company's available borrowing facilities.

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 2023 (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 2023 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 2023, 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 2023 (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

Dr. Ulrich Nass
Director

DocuSigned by:
Ulrich Nass
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Date:

17/11/2023

Registered office
The Place
Bridge Avenue
Maidenhead
England
SL6 1AF

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 2023 which comprise of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position and Company Balance Sheet, the Consolidated Cashflow Statement, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 30 in respect of the group and 1 to 21 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 the applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in their 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 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

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, 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.

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 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 NSK Europe Limited is 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

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

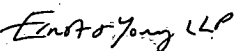
Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- 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, 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. 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.

DocuSigned by:

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Daniel Dennett (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
Date 17 November 2023

NSK Europe Limited

Consolidated income statement for the year ended 31 March 2023

	Note	2023 €'000	2022 €'000
Revenue	3	903,609	832,125
Cost of sales		<u>(774,090)</u>	<u>(711,084)</u>
Gross profit		129,519	121,041
Distribution expenses		<u>(11,827)</u>	<u>(13,343)</u>
Administration expenses – ongoing		<u>(130,716)</u>	<u>(130,868)</u>
Administration expenses – provision for liabilities	7	<u>(3,355)</u>	<u>222</u>
Administration expenses – pension arrangements	26	<u>(2,873)</u>	<u>(1,199)</u>
Administration expenses		<u>(136,944)</u>	<u>(131,845)</u>
Operating loss		<u>(19,252)</u>	<u>(24,147)</u>
Finance income	4	<u>4,145</u>	<u>1,517</u>
Finance costs	4	<u>(7,570)</u>	<u>(2,177)</u>
Share of profit of an associate	12	<u>16</u>	<u>49</u>
Loss before tax	5	<u>(22,661)</u>	<u>(24,758)</u>
Income tax (charge) / credit	9	<u>(15,977)</u>	<u>4,439</u>
Loss for the year		<u><u>(38,638)</u></u>	<u><u>(20,319)</u></u>
Attributable to:			
Owners of the parent		<u>(38,747)</u>	<u>(20,387)</u>
Non-controlling interests		<u>109</u>	<u>68</u>
		<u><u>(38,638)</u></u>	<u><u>(20,319)</u></u>
Amounts related to continuing operations		<u>(40,889)</u>	<u>(20,319)</u>
Amounts related to discontinued operations	29	<u>2,251</u>	<u>-</u>
		<u><u>(38,638)</u></u>	<u><u>(20,319)</u></u>

NSK Europe Limited

Consolidated statement of comprehensive income for the year ended 31 March 2023

	Note	2023 €'000	2022 €'000
Loss for the year		<u>(38,638)</u>	<u>(20,319)</u>
Other comprehensive (expense) / income			
Exchange differences on translation of foreign operations		(2,541)	987
Actuarial (loss) / gain on defined benefit plans	26	(45,120)	22,590
Income tax effect	9	11,320	(5,486)
Total Other comprehensive (expense) / income net of tax		<u>(36,341)</u>	<u>18,091</u>
Total comprehensive expense net of tax		<u>(74,979)</u>	<u>(2,228)</u>
Attributable to:			
Owners of the parent		(75,088)	(2,296)
Non-controlling interests		109	68
		<u>(74,979)</u>	<u>(2,228)</u>

NSK Europe Limited

Consolidated statement of financial position as at 31 March 2023


	Note	2023	2022
		€'000	€'000
Assets			
Non-current assets			
Property, plant and equipment	10	182,101	201,394
Intangible assets	11	6,457	6,059
Investment in an associate	12	1,508	1,502
Other financial assets	13	11,560	27,427
Trade and other receivables	15	9,484	9,863
Pension surplus	26	37,568	67,337
Deferred tax assets	9	38,925	35,042
		<u>287,603</u>	<u>348,624</u>
Current assets			
Other financial assets	13	3,370	2,320
Inventories	14	195,290	220,542
Trade and other receivables	15	203,528	192,943
Cash and cash equivalents	16	43,336	53,620
		<u>445,524</u>	<u>469,425</u>
Total assets		<u>733,127</u>	<u>818,049</u>
Current liabilities			
Trade and other payables	18	(131,759)	(152,926)
Interest-bearing loans and borrowings	19	(306,692)	(244,198)
Lease liabilities	10	(3,338)	(3,484)
Income tax liabilities	9	(1,348)	(2,190)
		<u>(443,137)</u>	<u>(402,798)</u>
Net current assets		<u>2,387</u>	<u>66,627</u>
Total assets less current liabilities		<u>289,990</u>	<u>415,251</u>
Non-current liabilities			
Interest-bearing loans and borrowings	19	-	(50,000)
Lease liabilities	10	(14,328)	(16,082)
Trade and other payables	18	(5,051)	(5,030)
Retirement benefit obligation	26	(8,035)	(8,454)
Provisions for liabilities	20	(6,095)	(4,225)
		<u>(33,509)</u>	<u>(83,791)</u>
Net assets		<u>256,481</u>	<u>331,460</u>

NSK Europe Limited

Consolidated statement of financial position as at 31 March 2023 (Continued)

	Note	2023	2022
		€'000	€'000
Equity			
Called up share capital	21	90,364	90,364
Translation reserve		(5,955)	(3,414)
Retained earnings		167,822	240,369
Equity attributable to owners of the parent		252,231	327,319
Non-controlling interests		4,250	4,141
Total equity		256,481	331,460

The Group financial statements on pages 20 to 80 were approved by the Board of Directors and signed on its behalf by:

DocuSigned by:

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Dr. Ulrich Nass

Director

NSK Europe Limited

Registered number: 02223191

Date: 17/11/2023

NSK Europe Limited

Consolidated cash flow statement for the year ended 31 March 2023

	Notes	2023 €'000	2022 €'000
Operating activities			
Loss for the year		(22,661)	(24,758)
Depreciation and other amortisation	10 & 11	28,653	29,523
Other tangible and intangible asset movements		1,732	950
Finance income	4	(4,145)	(1,517)
Finance expense	4	7,570	2,177
Barber Equalisation	26	1,480	-
Pension Administration expenses	26	1,023	799
Non-cash movement on investment in associate	12	(16)	(49)
Operating cash inflow before changes in working capital, interest and taxation		13,636	7,125
Decrease / (increase) in inventories		25,252	(50,148)
Increase in trade and other receivables		(10,206)	(1,823)
Decrease in trade and other payables		(21,520)	(964)
Movement in pensions		(456)	(76)
Movement in provisions		1,870	(3,525)
Net payment of lease liabilities		(1,900)	(929)
Cash generated / (used) from operations		6,676	(50,340)
Interest paid		(5,554)	(2,382)
Income tax paid		(9,219)	(7,547)
Payments to fund the UK Pension scheme		(17,972)	(18,212)
Net cash used from operating activities		(26,069)	(78,481)
Investing activities			
Interest received		2,284	389
Purchases of property, plant and equipment	10	(9,241)	(20,745)
Purchase of intangible assets	11	(2,372)	(1,245)
Net Cash outflow from losing control of a subsidiary	29	(1,472)	-
Proceeds from sale of assets		68	732
Net cash used in investing activities		(10,733)	(20,869)
Net cash used before financing activities		(36,802)	(99,350)
Financing activities			
Loans repaid / (made) to a Related Party		14,817	(6,591)
Long-term borrowings repaid		(50,000)	-
Proceeds from Short-term borrowings		73,882	30,116
Net cash generated from financing activities		38,699	23,525
Net increase / (decrease) in cash and cash equivalents		1,897	(75,825)
Effect of exchange rate fluctuation on cash		(793)	228
Net cash and cash equivalents at 1 April 22		37,232	112,829
Net cash and cash equivalents at 31 March 23		38,336	37,232
Reconciliation of net cash and cash equivalents			
Cash and cash equivalents	16	43,336	53,620
Bank overdraft (disclosed within Interest bearing loans and borrowings)	19	(5,000)	(16,388)
Net cash and cash equivalents at 31 March 23		38,336	37,232

NSK Europe Limited

Consolidated statement of changes in equity for the year ended 31 March 2023

	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 2022		90,364	(3,414)	240,369	327,319	4,141	331,460
Loss for the year		-	-	(38,747)	(38,747)	109	(38,638)
Exchange differences on translation of foreign operations		-	(2,541)	-	(2,541)	-	(2,541)
Actuarial loss on defined benefit plans	26	-	-	(45,120)	(45,120)	-	(45,120)
Income tax effect	9	-	-	11,320	11,320	-	11,320
At 31 March 2023		90,364	(5,955)	167,822	252,231	4,250	256,481
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

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

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 2023 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 81 to 106.

These financial statements have been prepared on an accounting basis consistent with that applied in the financial year ended 31 March 2022.

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 2023 was 1.14 (2022: 1.18). The average during 2023 was 1.13 (2022: 1.18).

Going concern

The Group had net current assets of €2.4 million as of 31 March 2023 (31 March 2022: net current assets of €66.6 million). Net cash and cash equivalents as referred to in the consolidated cashflow statement on page 24 were €38.3million as of 31 March 2023 (31 March 2022: €37.2 million).

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 2023

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 2023

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 2023

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 2023 or 31 March 2022.

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 2023

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 2023

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 2023

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 2023

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 2023

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 reliably 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 2023.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

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.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

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 judgement 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 2023, the carrying amount of capitalised development costs was €6.5 million (2022: €6.0 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 (2022: nil).

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

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 to 2023 the group reported losses because of the Covid-19 pandemic, the conflict between Russia and the Ukraine and the world-wide Semi-conductor shortage and supply issues. 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 2023 the accrual held for rebates and price adjustments was €8.2 million (2022: €7.0 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 (2022: €2.7 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 2023 the value of upfront payments capitalised and non-refundable was €4.7 million (2022: €5.5 million).

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

3. Revenue

	2023	2022
	€'000	€'000
Group revenue by destination is as follows:		
United Kingdom	32,554	33,564
Germany	229,332	204,814
France	99,313	105,853
Spain	35,632	22,336
Italy	82,129	80,358
Poland	25,693	21,343
Slovakia	2,481	3,341
Turkey	20,706	17,157
Czech Republic	26,652	17,236
Russia	1,182	32,870
Hungary	42,007	32,161
United Arab Emirates	34,552	27,520
Turkey	20,706	17,157
Morocco	45,195	32,356
South Africa	16,515	18,542
Belgium	56,653	24,287
Romania	30,191	24,368
USA	17,627	14,904
Switzerland	9,891	17,887
China	10,202	15,458
Rest of the World	64,396	68,613
	903,609	832,125

	2023	2022
	€'000	€'000
Group revenue by class of business is as follows:		
Industrial bearings and machinery	479,159	472,355
Automotive bearings and components	424,450	359,770
	903,609	832,125

Of the Automotive bearing and components total €182.8 million (2022: €170.5 million) is in respect of the Steering components business will be discontinued during the year ending 31 March 2024.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

4. Finance income and costs

	2023 €'000	2022 €'000
Interest receivable on bank deposits	1,086	109
Interest receivable from Group undertakings and related parties	1,198	280
Exchange gain arising in the pension schemes	-	490
Interest on pension liabilities, net of expected return on pension scheme assets	1,861	638
Finance income	4,145	1,517
Interest payable on bank loans:		
- long-term loans	40	708
- short-term loans	5,178	1,229
Interest on right to use assets	206	205
Group interest payable	130	35
Exchange loss arising in the pension schemes	2,016	-
Finance cost	7,570	2,177
Net Finance loss	(3,425)	(660)

5. Loss before tax

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

	Note	2023 €'000	2022 €'000
Staff costs	8	159,159	153,765
UK Furlough and similar European Schemes	8	-	(49)
Depreciation on property, plant and equipment	10	26,672	27,289
Amortisation of intangible assets	11	1,981	2,234
Loss on disposal of fixed assets		1,053	563
Loss on disposal of Entity		608	-
Foreign exchange losses (excluding on net pension surplus)		2,275	1,450
Litigation and other provisions	7	3,355	(222)
Barber Equalisation	26	1,480	-
Assets written off and liabilities recognised in respect of Russia / Ukraine conflict	17	-	7,305
Exchange loss / (gain) arising on the deficit in the pension schemes	4&26	2,016	(490)

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

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:

	2023 €'000	2022 €'000
Fees payable to company's auditors for the audit of parent company and consolidated financial statements	576	526
Fees payable to company's auditors and its associates for other services:		
The audit of Company's subsidiaries pursuant to legislation	921	840
Audit-related assurance services	439	404
Other non-audit services	38	9
Tax compliance services	104	55
	<u>2,078</u>	<u>1,834</u>

7. Litigation and other provisions

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

	Note	2023 €'000	2022 €'000
Litigation and other legal matters	20	-	(1,422)
Reorganisation charge	20	3,355	730
Provision for Russia / Ukraine conflict	17&20	-	550
Environmental provisions	20	-	(80)
		<u>3,355</u>	<u>(222)</u>

The reorganisation charge in the period related to the voluntary redundancy programme in Germany. The prior year related to redundancy costs in Mainland Europe. The tax impact on the reorganisation charge in 2023 was to reduce the tax cost by €1,040,000 (2022: €219,000).

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. The remaining provision is expected to be utilised and or released over the next two to three years.

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 2023

8. Staff costs

The average monthly number of employees (including executive directors) employed by the Group were:

	2023 Number	2022 Number
Manufacturing	2,748	2,848
Research and development	167	175
Sales	375	384
Administration	497	497
	<u>3,787</u>	<u>3,904</u>

	2023 €'000	2022 €'000
Wages and salaries	135,969	130,648
Social security costs	17,976	17,762
Other pension costs	5,214	5,355
	<u>159,159</u>	<u>153,765</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).

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

8. Staff costs (continued)

Directors' remuneration

Remuneration

Directors' remuneration – emoluments paid in respect of directors of the Group totalled €1,627,396 (2022: €1,521,050). Included in the aggregate emoluments are €75,572 (2022: €27,909) 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:

	2023	2022
	€	€
Aggregate emoluments	<u>830,984</u>	<u>842,908</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 €27,938 (2022: €27,909) of Company payments to a defined contribution scheme.

No director is accruing benefits under defined benefit pension schemes (2022: nil). Three directors were members of the defined contribution scheme during the financial year (2022: one).

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

9. Taxation

Tax (credit) / charge in the consolidated income statement	2023 €'000	2022 €'000
Current tax:		
Overseas tax	8,494	6,249
Adjustment in respect of prior years	94	796
Share of associates tax	3	10
Total current tax	8,591	7,055
Deferred tax:		
Total deferred tax	7,386	(11,494)
Total income tax charge / (credit) in the consolidated Income Statement	15,977	(4,439)

Total tax charge is reconciled to the UK rate of 19% (2022: 19%) of loss before tax as follows:

	2023 €'000	2022 €'000
Loss before taxation	(22,661)	(24,758)
Loss before tax multiplied by the standard rate of tax in the United Kingdom at 19% (2022: 19%)	(4,306)	(4,704)
Effects of:		
Income not allowable chargeable for tax purposes	1,474	737
Taxation posted to Other comprehensive income	11,320	(5,486)
Adjustment in respect of foreign tax rates	1,784	1,788
Utilisation of non-recognised deferred tax timing differences	5,611	2,430
Adjustment in respect of prior years	94	796
Total tax charge / (credit)	15,977	(4,439)

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.

In October 2022, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% rather than remaining at 19%, as announced but not enacted in the budget of the same year. This 25% rate had been substantively enacted on 24 May 2021 and as such deferred tax balances as at 31 March 2022 had been calculated at 25%. The impact of this change in tax rates is shown in the above reconciliation. Due to the change in tax rates the value of the deferred tax asset increased from €29 million to €35 million in the prior year.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

9. Taxation (continued)

Current tax liabilities	2023 €'000	2022 €'000
Income tax liabilities	1,348	2,190
	<u>1,348</u>	<u>2,190</u>

Deferred tax balances

	2023 €'000	2022 €'000
Deferred tax assets	38,925	35,042
	<u>38,925</u>	<u>35,042</u>

	1 April 2022 €'000	Recognised in Income statement €'000	Gross of amounts previously shown as net €'000	Recognised in Other comprehensive income €'000	Foreign exchange €'000	31 March 2023 €'000
Accelerated capital allowances	1,835	(935)	6,166	-	-	7,066
Other short term timing difference	2,822	694	-	-	-	3,516
Pension	(3,321)	(9,443)	(7,617)	11,320	(51)	(9,112)
Tax losses	33,706	2,298	1,451	-	-	37,455
	<u>35,042</u>	<u>(7,386)</u>	<u>-</u>	<u>11,320</u>	<u>(51)</u>	<u>38,925</u>
Deferred tax asset	35,042	(7,386)	-	11,320	(51)	38,925
	<u>35,042</u>	<u>(7,386)</u>	<u>-</u>	<u>11,320</u>	<u>(51)</u>	<u>38,925</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

9. Taxation (continued)

Deferred tax balances - continued

	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>

Deferred tax not recognised

	2023 €'000	2022 €'000
Accelerated capital allowances	12,911	16,144
Pension	-	(10,609)
Other short term timing differences	226	37
Effect of losses carried forward	48,931	38,630
	<u>62,068</u>	<u>44,202</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 2023

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 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
Additions	142	8,735	209	155	9,241
Exchange movement	(147)	6	(23)	(50)	(214)
Transferred from assets in progress	3,581	(18,623)	11,079	3,963	-
Adjustments	14	(85)	(296)	(216)	(583)
Disposal of Entity	(15)	-	(188)	(115)	(318)
Disposals /scrapped	(1,036)	-	(9,462)	(991)	(11,489)
At 31 March 2023	138,547	10,096	463,575	71,032	683,250
Accumulated depreciation					
At 1 April 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
Exchange movement	(33)	-	(22)	(36)	(91)
Charge for the year	4,606	-	17,042	5,024	26,672
Adjustments	-	-	228	(83)	145
Disposal of Entity	(6)	-	(58)	(52)	(116)
Disposals / scrapped	(1,036)	-	(8,686)	(958)	(10,680)
At 31 March 2023	82,164	-	364,874	54,111	501,149
Net book value					
31 March 2023	56,383	10,096	98,701	16,921	182,101
31 March 2022	57,375	20,063	105,886	18,070	201,394
1 April 2021	59,980	17,228	113,046	18,644	208,898

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

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 2023	31 March 2022
	€'000	€'000
Land and buildings	13,556	15,003
Fixtures and fittings and motor vehicles	3,995	4,514
	<u>17,551</u>	<u>19,517</u>
 Lease liabilities – Short term	 31 March 2023	 31 March 2022
	€'000	€'000
Land and buildings	1,208	1,298
Fixtures and fittings and motor vehicles	2,130	2,186
	<u>3,338</u>	<u>3,484</u>
 Lease liabilities – long term	 31 March 2023	 31 March 2022
	€'000	€'000
Land and buildings	12,463	13,755
Fixtures and fittings and motor vehicles	1,865	2,327
	<u>14,328</u>	<u>16,082</u>

Addition to the right-of-use assets in the year ended 31 March 2023 were €1,655,000 (€2022: €2,645,000).

(ii) Amounts recognised in the consolidated income statement

Depreciation charge of right-of-use assets	2023	2022
	€'000	€'000
Buildings	(1,446)	(1,610)
Fixtures and fittings and motor vehicles	(2,135)	(2,149)
	<u>(3,581)</u>	<u>(3,759)</u>
Interest expenses (included in finance cost)	(206)	(205)
Expenses relating to leases of low value assets	(142)	(95)
Expenses relating to short-term leases	(60)	(121)

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

11. Intangible assets

	Development in progress €'000	Capitalised software €'000	Total €'000
Cost			
At 1 April 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	1,456	24,664	26,120
Additions	2,354	18	2,372
Exchange movement	-	(1)	(1)
Transferred from development in progress	(2,192)	2,192	-
Adjustments	7	19	26
Disposal of Entity	(2)	(14)	(16)
Scrapped	-	(156)	(156)
At 31 March 2023	1,623	26,722	28,345
Accumulated amortisation			
At 1 April 2021	-	17,840	17,840
Charge for the year	-	2,234	2,234
Scrapped	-	(13)	(13)
At 31 March 2022	-	20,061	20,061
Exchange Movement	-	(1)	(1)
Charge for the year	-	1,981	1,981
Disposal of Entity	-	(8)	(8)
Scrapped	-	(145)	(145)
At 31 March 2023	-	21,888	21,888
Net book value			
31 March 2023	1,623	4,834	6,457
31 March 2022	1,456	4,603	6,059
1 April 2021	2,315	4,719	7,034

The capitalised software is in respect of various Software enhancement projects undertaken across the Group.

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Notes to the Group financial statements for the year ended 31 March 2023

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 2021	1,464
Share of profit before taxation	49
Share of taxation	(10)
Foreign exchange	(1)
At 31 March 2022	1,502
Share of profit before taxation	16
Share of taxation	(4)
Foreign exchange	(6)
At 31 March 2023	1,508

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

13. Other financial assets

	2023	2022
	€'000	€'000
Other financial assets – Long term	11,560	27,427
Other financial assets – Short term	3,370	2,320
Loan to related parties	14,930	29,747

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

- (i) A PLN 77 million loan which translates to €16.5 million was included in the Prior Year. Interest was based on the Warsaw Inter Bank Offer Rate ("WIBOR") + 0.5% rate at the start of each month and interest due was settled within the month. This loan was settled on 29 March 2023.
- (ii) A €4.6 million loan (2022: €1.6 million). Interest is based on the Euribor +0.5%, with a minimum rate of 0.5% (2022: 0.5%). This loan is classed as long-term as it borrowed from an available facility with no set repayment requirement.
- (iii) A €9.3 million loan (2022: €11.6 million) to the same Sister company as in (ii) above. Interest is at a fixed rate of 0.945%. The borrowing 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 €7.0 million is long-term.
- (iv) A €1.0 million loan to a Sister company. Interest is based on the Euribor +0.5%, with a minimum rate of 0.5%. The loan was repaid on 15 May 2023.

The total facility under the loans made in (ii) and (iii) is €20 million (2022: €20 million). The borrowing under (ii) is refreshed each quarter depending on the requirement of the borrower.

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

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

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.

	2023 €'000	2022 €'000
Raw materials and stores	63,587	68,843
Work in progress	21,570	20,912
Finished goods and goods for resale	127,200	146,623
Gross inventories	212,357	236,378
Inventory provisions	(17,067)	(15,836)
	<u>195,290</u>	<u>220,542</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 €774.9 million (2022: €711.1 million).

During the year inventory provisions were increased by €1.2 million (2022: decreased by €0.8 million) due to change in the calculation methodology (2022: increased sales). Additionally, inventory of €0.6 million was written off in the Prior Year as a result of the Russia/ Ukraine conflict.

15. Trade and other receivables

	2023 €'000	2022 €'000
Gross trade receivables	178,407	167,499
Rebates and other sales provisions	(8,231)	(7,028)
Provision for doubtful debts	(2,524)	(2,823)
Trade receivables	167,652	157,648
Receivables from an associate	-	3
Receivables from other related parties	15,898	12,422
Vat receivable	9,844	9,257
Prepayments and accrued income	6,650	9,077
Other receivables	3,484	4,536
Trade and other receivables falling due within one year	203,528	192,943
Other receivables falling due after more than one year	9,484	9,863
Total trade and other receivables	<u>213,012</u>	<u>202,806</u>

Other receivables falling due after one year includes €9.5 million (2022: €9.9 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 in the Prior Year 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 2023

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 68 days (2022: 69 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 such as 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 2023 the largest amount outstanding from an individual customer amounted to less than 8% of the outstanding value of receivables (2022: less than 7%).

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 2023 (2022: nil).

Age of trade receivables that are past due but not impaired

	2023	2022
	€'000	€'000
1-30 days	6,986	6,733
30-60 days	2,554	2,233
60-90 days	1,449	800
90-180 days	839	163
180 days +	-	-
Total	11,828	9,929

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

15. Trade and other receivables (continued)

Movement in the allowance for doubtful debts

	2023	2022
	€'000	€'000
Balance at the start of the year	2,823	1,299
Impairment losses recognised on receivables	477	2,177
Amounts written off during the year as uncollectable	(433)	(144)
Impairment losses reversed or amounts recovered	(328)	(513)
Other	(15)	4
Balance at the end of the year	<u>2,524</u>	<u>2,823</u>

16. Cash and cash equivalents

	2023	2022
	€'000	€'000
Cash at bank and at hand	<u>43,336</u>	<u>53,620</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. There were no amounts held on short-term deposit (2022: nil).

The Group has a cash-pooling arrangement covering the majority of its Group companies. The net amount overdrawn was €5.0 million (2022: €16.4 million). This is included in Note 19 Interest bearing loans and borrowings.

There is €6.0 million (2022: €5.0 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 again consider making such a claim in the financial year ending 31 March 2024.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

17. Russia / Ukraine Conflict

On 24 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:

Russia / Ukraine conflict summary of Financial Impact:

	2022 €'000
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)	550
Provision for Russia / Ukraine conflict	<u>7,305</u>

No further provision was required for the year ended 31 March 2023.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

18. Trade and other payables

	2023	2022
	€'000	€'000
Trade payables	26,920	30,277
Payables to an associate	315	377
Payables to other related parties	71,093	88,531
Accruals and deferred income	23,925	24,342
Other taxation and social security	6,045	6,185
VAT payables	1,953	1,620
Other payables	1,508	1,594
Trade and other payables due within one year	131,759	152,926
Other payables falling due after more than one year	5,051	5,030
Total trade and other payables	136,810	157,956

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

An accrual of €1.0 million was made in the Prior Year 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 2023

19. Interest-bearing loans and borrowings

		2023 €'000	2022 €'000
Unsecured – at amortised cost			
Bank overdraft	(i)	5,000	16,388
Short-term loans	(ii)	301,692	227,810
		306,692	244,198
Long-term loan – repayable 1-5 years	(iii)	-	50,000
Interest-bearing loans and borrowings		306,692	294,198

Summary of borrowing arrangements

- (i) The Group has a cash-pooling arrangement covering the majority of its Group companies. The net amount overdrawn was €5.0 million (2022: €16.4 million), as referred to in note 16.
- (ii) Short-term floating rate loans are held with three (2022: three) banks. Interest rate ranges from 1.42% to 5.37% (2022: nil% to 1.42%), with a weighted average interest of 3.21% (2022: 0.56%). The loans are refreshed regularly with the core banking partners depending on currency requirements. The loans are held in the following currencies:

	2023 €'000	2022 €'000
Polish Zloty	-	-
US Dollar	16,092	10,810
Euro	285,600	217,000
Total short-term unsecured	301,692	227,810

- (iii) On 7 April 2021 the Group took out a 3-year €50 million loan with one of its lending banks. The loan was at a fixed rate of 1.42% and was repaid on 17 April 2023. As at 31 March 2023 this balance was included within the short-term loans balance.

	2023 €'000	2022 €'000
Euro	-	50,000
Total long-term unsecured	-	50,000

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

20. Provisions for liabilities

	2023 €'000	2022 €'000
Litigation and other legal matters	2,702	2,728
Reorganisation provisions	3,234	788
Environmental provisions	159	159
Provision for closure of St Petersburg office	-	550
	<u>6,095</u>	<u>4,225</u>

Litigation and other legal matters

	2023 €'000	2022 €'000
Beginning of year	2,728	5,350
Credited to consolidated income statement	-	(1,422)
Utilised in the year	<u>(26)</u>	<u>(1,200)</u>
End of year	<u>2,702</u>	<u>2,728</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. The remaining provision is expected to be utilised and or released over the next one to two 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.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

20. Provisions for liabilities (continued)

Reorganisation provision:

	2023 €'000	2022 €'000
Beginning of year	788	2,019
Charged to consolidated income statement	3,355	730
Utilised in the year	(909)	(1,961)
End of year	3,234	788

The charge in the current year primarily relates to the voluntary redundancy programme in Germany. The charge in the prior period related primarily to redundancy costs in Mainland Europe.

The remaining provision is expected to be utilised by 31 March 2024.

Environmental provisions:

	2023 €'000	2022 €'000
Beginning of year	159	245
Credited to consolidated income statement	-	(80)
Utilised in the year	-	(6)
End of year	159	159

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 2023

20. Provisions for liabilities (continued)

Provision for closure of St Petersburg office

	2023 €'000	2022 €'000
Beginning of year	550	-
Charged to the income statement	-	550
Utilised in the year	(550)	-
End of year	-	550

The provision in the prior year was 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 as the supply being delivered by the operation was not on the sanctioned list.

21. Called up share capital

	2023 €'000	2022 €'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 (2022: 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 2023

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	
	2023	2022	2023	2022
	€'000	€'000	€'000	€'000
NSK Ltd.	1,841	3,492	139,365	153,809
Associate	1	1	3,113	3,416
Other NSK Ltd. subsidiaries	30,586	34,017	243,969	223,767
	<u>32,428</u>	<u>37,510</u>	<u>386,447</u>	<u>380,992</u>

In addition royalty fees of €21.4 million (2022: €20.2 million) were charged by NSK Ltd.

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

	Amounts owed by related parties		Amounts owed to related parties	
	2023	2022	2023	2022
	€'000	€'000	€'000	€'000
NSK Ltd.	2,889	2,762	32,508	43,441
Associate	-	3	315	377
Other NSK Ltd. subsidiaries	13,009	9,660	38,585	45,090
	<u>15,898</u>	<u>12,425</u>	<u>71,408</u>	<u>88,908</u>

Loans to related parties

	2023	2022
	€'000	€'000
Other subsidiaries of NSK Ltd. (note 13)	<u>14,930</u>	<u>29,747</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

22. Related party transactions (continued)

Compensation of key management

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

	2023 €'000	2022 €'000
Fees and salary	2,488	2,572
Pension costs including pension sacrifice	149	143
Benefits in kind	188	241
Other	17	17
Bonus	920	1,143
	<u>3,762</u>	<u>4,116</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 2023

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 2023 %	Proportion of ordinary shares held 2022 %
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
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.

NSK Steering Systems Morocco S.A.R.L was sold to NS&C on 31 March 2023.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

24. Commitments for expenditure

Contingent liabilities:

Capital and other commitments:

	2023 €'000	2022 €'000
Contracted but not provided for	<u>5,042</u>	<u>3,962</u>

Contracted but not provided for includes €1.1 million (2022: €2.6 million) in relation to amounts to be paid to customers, upon commencement of the contract.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

25. Guarantees

Guarantees provided to third parties

	2023 €'000	2022 €'000
HMRC, VAT, Customs etc. guarantees	3,492	3,441
Warehouse development & rental guarantees	605	605
	<u>4,097</u>	<u>4,046</u>

26. Pension arrangements

The Group is party to six (2022: six) 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:

- 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.
- 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 2023

26. Pension arrangements (continued)

Barber equalisation

On 17 May 1990 the Court of Justice of the European Union ruled that occupational pensions were a form of deferred pay (the "Barber" judgment).

Therefore, what is now Article 157 of the Treaty on the Functioning of the European Union applied, and it was unlawful to discriminate between men and women in relation to occupational pensions.

During the year ended 31 March 2023, the Scheme's Trustee agreed changes as to how benefits will be calculated for certain members affected by the Barber judgement.

This changes affected only members of one Section of the Scheme who had joined before 1 July 1990.

There were two changes as to how benefits were calculated:

- Normal Retirement Ages (NRA) are to be treated as having been equalised at age 65 for both men and women from 20 October 1992, rather than from 1 July 1992.
- The actuarial factor applied to pre-equalisation pensions with an NRA of 60 is to be amended for past and future retirements, and for past cash equivalent transfer values.

The changes applied resulted in an additional charge recognised in the year ended 31 March 2023 of €1.5 million (2022: nil).

Breakdown of amounts recognised in the income statement and other comprehensive income 31 March 2023

	UK Scheme	Mainland Europe Schemes	Total
	€'000	€'000	€'000
<i>Operating cost:</i>			
Current service cost	-	370	370
Barber Equalisation	1,480	-	1,480
Administrative expenses	1,023	-	1,023
Cost recognised within operating profit	2,503	370	2,873
<i>Financing (income) / cost:</i>			
Interest on net defined benefit / liability	(2,083)	222	(1,861)
Foreign currency translation loss / (gain)	2,042	(26)	2,016
Finance (income) / cost	(41)	196	155
Cost recognised in the income statement	2,462	566	3,028
<i>Re-measurement in other comprehensive expense</i>			
Return on scheme assets lower than that recognised in finance cost	154,639	-	154,639
Actuarial gain due to changes in financial assumptions	(115,441)	(673)	(116,114)
Actuarial loss / (gain) due to changes in demographic assumptions	286	(101)	185
Actuarial loss due to liability experience	5,795	615	6,410
Total amount recognised in other comprehensive income	45,279	(159)	45,120

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

26. Pension arrangements (continued)

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 (income) / cost:</i>			
Interest on net defined benefit / liability	(742)	104	(638)
Foreign currency translation (gain) / loss	(492)	2	(490)
Finance cost (income) / cost	(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 2023

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 2021	26,582	(8,906)	17,676
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 loss 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 loss on scheme assets	(6,711)	-	(6,711)
Exchange gain / (loss)	492	(2)	490
Surplus / (deficit) in the scheme at 31 March 2022	67,337	(8,454)	58,883
Current service cost	-	(370)	(370)
Barber Equalisation	(1,480)	-	(1,480)
Administration cost	(1,023)	-	(1,023)
Interest income / (cost)	2,083	(222)	1,861
Regular contribution by the employer	17,972	826	18,798
Actuarial (loss) / gain on scheme liabilities arising from changes in demographic assumptions	(286)	101	(185)
Losses on scheme liabilities arising from changes in financial Assumptions	115,441	673	116,114
Actuarial loss on scheme liabilities arising from experience	(5,795)	(615)	(6,410)
Re-measurement losses on scheme assets	(154,639)	-	(154,639)
Exchange (loss) / gains	(2,042)	26	(2,016)
Surplus / (deficit) in the scheme at 31 March 2023	37,568	(8,035)	29,533

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 €19.6 million (2022: €18.2 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 2023

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
	2023	2023	2023	2022	2022	2022
	€'000	€'000	€'000	€'000	€'000	€'000
Opening fair value of scheme liabilities	452,598	8,454	461,052	486,196	8,906	495,102
Settlements	-	-	-	-	-	-
Barber Equalisation	1,480	-	1,480	-	-	-
Current service cost	-	370	370	-	400	400
Interest on defined benefit obligation	12,132	222	12,354	10,038	104	10,142
Actuarial loss / (gain) on scheme liabilities arising from changes in demographic assumptions	286	(101)	185	116	34	150
Actuarial gain on scheme liabilities arising from changes in financial assumptions	(115,441)	(673)	(116,114)	(25,682)	(710)	(26,392)
Actuarial loss / (gain) on scheme liabilities arising from experience	5,795	615	6,410	(3,253)	194	(3,059)
Net benefits paid	(19,579)	(826)	(20,405)	(18,145)	(476)	(18,621)
Exchange (gain) / loss	(15,146)	(26)	(15,172)	3,328	2	3,330
Closing fair value of scheme liabilities	322,125	8,035	330,160	452,598	8,454	461,052

Changes to the fair value of scheme assets during the year

	UK Scheme	Mainland Europe Scheme	Total	UK Scheme	Mainland Europe Scheme	Total
	2023	2023	2023	2022	2022	2022
	€'000	€'000	€'000	€'000	€'000	€'000
Opening fair value of scheme assets	519,935	-	519,935	512,778	-	512,778
Settlements	-	-	-	-	-	-
Interest income on scheme assets	14,215	-	14,215	10,780	-	10,780
Re-measurement losses on scheme assets	(154,639)	-	(154,639)	(6,711)	-	(6,711)
Regular contributions by the employer	17,972	826	18,798	18,212	476	18,688
Contributions by scheme participants	-	-	-	-	-	-
Net benefits paid out	(19,579)	(826)	(20,405)	(18,145)	(476)	(18,621)
Administration cost incurred	(1,023)	-	(1,023)	(799)	-	(799)
Exchange (loss) / gain	(17,188)	-	(17,188)	3,820	-	3,820
Closing fair value of scheme assets	359,693	-	359,693	519,935	-	519,935

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

26. Pension arrangements (continued)

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

31 March 2023	UK Scheme	Mainland Europe Schemes	Total
	€'000	€'000	€'000
Fair value of scheme liabilities	(322,125)	(8,035)	(330,160)
Fair value of scheme assets	359,693	-	359,693
Surplus / (deficit) in the scheme	37,568	(8,035)	29,533

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

The scheme assets are invested in the following classes

31 March 2023	UK Scheme	Mainland Europe Schemes	Total
	€'000	€'000	€'000
Debt securities	357,528	-	357,528
Cash	2,165	-	2,165
Plan assets at 31 March 2023	359,693	-	359,693

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

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

26. Pension arrangements (continued)

The main financial assumptions – UK Scheme

	31 March 2023	31 March 2022	31 March 2021
	%	%	%
RPI inflation	2.5	3.4	3.0
CPI inflation	4.8	2.8	2.4
Discount rate for scheme liabilities	3.2	2.8	2.1

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

The main demographic assumptions – UK Scheme

	31 March 2023	31 March 2022	31 March 2021
Mortality table adopted	SAPS S3P 'Heavy' table with the following scaling applied: Member Lives Male/Female Pensioners: 96% / 108% Male/Female Deferreds: 99% / 113% Dependant Lives Male/Female Pensioners: 106% / 107% Male/Female Deferreds: 113% / 105%	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	20.4 years	20.7 years	20.7 years
Life expectancy for female currently aged 65	22.7 years	23.0 years	22.9 years
Life expectancy at 65 for male deferred currently aged 45	21.6 years	21.8 years	21.9 years
Life expectancy at 65 for female deferred currently aged 45	24.0 years	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.	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 2023

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 €17.8 million. The following table shows the sensitivity of this charge to changes in key assumptions:

	Impact on the 2023/24 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	-	-	-	-	24,503
Following a 0.5% increase in the inflation assumption	-	-	-	-	13,069
Following a 0.5% increase in future life expectancy	-	-	-	-	1,199

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 2023 were €3.4 million (2022: €3.3 million) and €1.5 million (2022: €1.7 million).

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

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:

	2023 €'000	2022 €'000
Debt (i)	(291,762)	(264,451)
Cash and cash equivalents (Note 16)	43,336	53,620
Net debt	<u>(248,426)</u>	<u>(210,831)</u>
Equity (ii)	<u>256,481</u>	<u>331,460</u>
Net debt to equity ratio	<u>96.9%</u>	<u>63.6%</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 63.6% to 96.9% during the financial year was primarily due to the a cash outflow of €36.8 million and an actuarial loss on the Group's pension schemes of €33.8 million, net of tax (2022: cash outflow of €99.4 million)

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

	2023 €'000	2022 €'000
Net debt at 1 April	(210,831)	(111,709)
Net cash flow before financing activities	(36,802)	(99,350)
Exchange	(793)	228
Net debt at 31 March	<u>(248,426)</u>	<u>(210,831)</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

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:

	2023	2022
	€'000	€'000
Financial assets		
Cash and cash equivalents (Note 16)	43,336	53,620
Other financial assets	<u>211,448</u>	<u>214,216</u>
	<u>254,784</u>	<u>267,836</u>
Financial liabilities		
Bank overdraft (Note 19)	5,000	16,388
Other financial liabilities at Amortised cost	<u>430,504</u>	<u>427,961</u>
	<u>435,504</u>	<u>444,349</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 73 & 74) and interest rates (page 74).

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 2023

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	
	2023	2022	2023	2022
	€'000	€'000	€'000	€'000
Sterling (including UK scheme net pension asset)	23,879	25,980	62,031	92,526
Zloty	24,685	23,535	31,685	47,804
Japanese Yen	3,403	4,367	1,447	2,152
US Dollar	40,576	40,994	40,047	36,506
Others	2,115	1,211	4,009	5,320
	<u>94,658</u>	<u>96,087</u>	<u>139,219</u>	<u>184,308</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	
	2023	2022	2023	2022	2023	2022
	€'000	€'000	€'000	€'000	€'000	€'000
Consolidated income statement	<u>(1,907)</u>	<u>(3,327)</u>	<u>(350)</u>	<u>(1,213)</u>	<u>26</u>	<u>224</u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

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).

The Group is currently in discussion with its Banks about future facility requirements and as part of those discussion it will determine the appropriate go forward balance between long-term and short-term debt and the balance between fixed and floating interest rates.

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 2023 would (decrease) / increase by €1,508,000 (2022: loss for the year would (decrease) / increase by €1,139,000).
- 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 2023

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 2023	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	-	45,955	62,383	15,573	418	4,483	128,812	128,812
Fixed interest rate instruments	-	-	-	-	-	-	-	-
Variable interest rate instruments	3.21	807	1,614	7,263	38,737	330,745	379,166	301,692
		<u>46,762</u>	<u>63,997</u>	<u>22,836</u>	<u>39,155</u>	<u>335,228</u>	<u>507,978</u>	<u>430,504</u>
31 March 2022								
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>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

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 2023	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 assets	%	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Non-interest bearing	-	23,173	150,261	13,300	9,784	-	196,518	196,518
Fixed interest rate instruments	0.95	7	594	1,796	7,061	-	9,458	9,280
Variable interest rate instruments	2.90	17	1,074	100	5,134	-	6,325	5,650
		<u>23,197</u>	<u>151,929</u>	<u>15,196</u>	<u>21,979</u>	<u>-</u>	<u>212,301</u>	<u>211,448</u>
31 March 2022								
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>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

27. Financial instruments (continued)

i. Financing facilities

The Group's centrally held facilities are listed below:

	2023	2022
	€'000	€'000
Short-term loans (excluding inter-company)		
- Amount used	301,692	227,810
- Facility	<u>331,496</u>	<u>333,284</u>
Long-term loans		
- Amount used	-	50,000
- Facility	<u>50,000</u>	<u>50,000</u>

Additionally, the Group has facilities of €19.0 million (2022: €19 million) held by subsidiary companies and an unused overdraft limit of €8.2 million (2022: €8.0 million).

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 2023. 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 2023

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 Bearings Middle East Trading Co. Ltd *	Cevizli Mah D-100 Gunley Yan Yol, Kuris Kule IS Merkezi NO2 KAT 4, Kalfal, 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 Rulmanlan Ota Dogu Ltd Sti

NSK Steering Systems Morocco S.A.R.L was sold to NS&C on 31 March 2023.

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

29. Discontinued operations

On 31 March 2023 the Group disposed of its holding in NSK Steering Systems Morocco S.A.R.L ("NSSM") for €4 million. The cash was received in the year ended 31 March 2023.

At the date of disposal NSSM's net assets were as follows:

	31 March 2023 €'000
Property plant and equipment	202
Intangible assets	8
Total non-current assets	<u>210</u>
Inventories	6,434
Trade and other receivables	8,295
Cash and cash equivalents	5,472
Trade and other payables	(12,162)
Borrowings	(3,550)
Income tax liabilities	(90)
Net assets disposed off	<u>4,609</u>
Cash received	<u>4,000</u>
Loss on disposal	<u><u>(609)</u></u>

The results of NSSM for the year were:

Revenue	42,857
Expenses	(39,847)
Pre-tax Profit	<u>3,010</u>
Taxation	(150)
Profit after taxation	<u><u>2,860</u></u>
Result attributable to discontinued operations	<u><u>2,251</u></u>

The key components of the NSSM cash flow for the year were:

Operating cash flow before changes in working capital, interest and taxation	3,070
Working capital	(386)
Cash generated from operations	<u>2,684</u>
Capital expenditure and other items	(78)
Increase in borrowings	<u>2,500</u>
Net increase in cash	<u><u>5,106</u></u>

NSK Europe Limited

Notes to the Group financial statements for the year ended 31 March 2023

30. Post Balance Sheet Events

The following events occurred after the balance sheet date:

- On 28 July 2023 NSK Europe Limited received a dividend of €40 million from its subsidiary NSK UK Limited.
- On 12 May 2023, NSK Ltd., the parent undertaking, entered into a Joint Venture agreement (the "JV agreement") with Japan Industrial Solutions III Investment Limited Partnership ("JIS"). Under the JV agreement, NSK Ltd. and JIS agreed for NSK Ltd. to transfer to JIS class shares equivalent to 50.1% of the voting rights of NSK Steering & Control Inc. ("NS&C"), the subsidiary of NSK Ltd. that controls its global steering business. NSK Ltd. had concluded that inviting JIS to be a partner in its steering business was important to further the aim to improve the global steering business as quickly as possible. The JV agreement took effect on 1 August 2023 and as of this date NS&C and its' subsidiaries became equity-method accounted affiliates of NSK Ltd.

From the perspective of NSK Europe Limited, the Steering Business (which is presented as part of Automotive Bearings & Components in Note 3 of the Group financial statements) will be transferred to the new JV and will represent a discontinued operation for NSK Europe Limited for the year ending 31 March 2024. As of 31 March 2023, while NSK Ltd. was considering various potential options for the Steering business it was not available for immediate sale in its present condition as multiple steps have subsequently been required to identify and separate the Steering business from NSK Europe Limited's automotive bearings and components division. As such the steering business as a whole is not treated as a discontinued operation for the year ended 31 March 2023.


NSK Europe Limited

Company balance sheet as at 31 March 2023

	Note	2023 €'000	2022 €'000
Fixed assets			
Intangible assets	6	5,352	5,647
Tangible assets	7	8,909	10,104
Investments	8	174,655	174,665
Deferred tax assets	9	39,134	35,484
Debtors	11	16,443	35,691
Pension surplus	14	10,996	19,708
		<u>255,489</u>	<u>281,299</u>
Current assets			
Stock	10	104,581	122,477
Debtors	11	330,883	331,323
Cash at bank and in hand		8,253	41,042
		<u>443,717</u>	<u>494,842</u>
Creditors: amounts falling due within one year	12	(709,141)	(671,160)
Income tax liabilities	9	-	-
Net current liabilities		<u>(265,424)</u>	<u>(176,318)</u>
Total assets less current liabilities		<u>(9,935)</u>	<u>104,981</u>
Creditors: amounts falling due within one year	12	-	(50,000)
Provision for liabilities	13	(5,783)	(3,357)
		<u>(15,718)</u>	<u>51,624</u>
Net (liabilities) / assets		<u>(15,718)</u>	<u>51,624</u>
Capital and reserves			
Called up share capital	15	90,363	90,363
Profit and loss reserve		(106,081)	(38,739)
Total shareholder's (deficit) / funds		<u>(15,718)</u>	<u>51,624</u>

To address the deficit in funds as at 31 March 2023 a dividend of €40 million was received by NSK Europe Limited on 28 July 2023 from its subsidiary NSK UK Limited.

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 81 to 106 were approved by the Board of Directors and signed on its behalf by:

DocuSigned by:

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Dr. Ulrich Nass
Director
NSK Europe Limited
Registered number: 02223191
Date: 17/11/2023

NSK Europe Limited

Company statement of changes in equity for the year ended 31 March 2023

	Called up share capital	Profit and loss reserve	Total shareholder's funds
	€'000	€'000	€'000
At 1 April 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
Loss for the year	-	(57,488)	(57,488)
Actuarial loss on defined benefit plans	-	(13,139)	(13,139)
Income tax effect	-	3,285	3,285
Total other comprehensive expense	-	(9,854)	(9,854)
Total comprehensive expense	-	(67,342)	(67,342)
At 31 March 2023	90,363	(106,081)	(15,718)

NSK Europe Limited

Notes to the Company accounts for the year ended 31 March 2023

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.

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 2023

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 2023

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 2023

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 2023

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 (2022: €2.7 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 2023

6. Intangible assets

	Development in progress	Capitalised software	Total
	€'000	€'000	€'000
Cost or valuation			
At 1 April 2022	1,267	21,098	22,365
Additions	1,460	-	1,460
Scrapped	-	-	-
Transfer from development in progress	(2,101)	2,101	-
At 31 March 2023	626	23,199	23,825
Accumulated amortisation			
At 1 April 2022	-	16,718	16,718
Charge for the year	-	1,755	1,755
Scrapped	-	-	-
At 31 March 2023	-	18,473	18,473
Net book value			
At 31 March 2023	626	4,726	5,352
At 31 March 2022	1,267	4,380	5,647

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 2023

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 2022	5,067	820	7,574	14,134	27,595
Additions	-	1,030	-	75	1,105
Transfers from assets in progress	40	(1,596)	6	1,550	-
Adjustments	-	-	-	54	54
Scrapped	-	-	-	-	-
At 31 March 2023	5,107	254	7,580	15,813	28,754
Accumulated depreciation					
At 1 April 2022	2,923	128	4,841	9,599	17,491
Charge for the year	131	-	544	1,679	2,354
Scrapped	-	-	-	-	-
Impairment	-	-	-	-	-
At 31 March 2023	3,054	128	5,385	11,278	19,845
Net book value					
At 31 March 2023	2,053	126	2,195	4,535	8,909
At 31 March 2022	2,144	692	2,733	4,535	10,104

The book value of land and buildings comprises €2.1 million (2022: €2.1 million) which is freehold, and €nil (2022: €nil) which is leasehold.

NSK Europe Limited

Notes to the Company accounts For the year ended 31 March 2023

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 2022	280,483
Disposal	(10)
At 31 March 2023	280,473
Subsidiary undertakings – impairment	
At 1 April 2022 and 31 March 2023	106,170
Subsidiary undertakings - net book value	
At 31 March 2023	174,303
At 31 March 2022	174,313
Associates	
At 1 April 2022	352
At 31 March 2023	352
Total Investments – net book value	
At 31 March 2023	174,655
At 31 March 2022	174,665

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

NSK Steering Systems Morocco S.A.R.L was sold to NS&C on 31 March 2023.

NSK Europe Limited

Notes to the Company accounts For the year ended 31 March 2023

9. Taxation

Current tax assets and liabilities

	2023 €'000	2022 €'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 1 April 2022 €'000	Recognised in income statement €'000	Gross of amounts previously shown as net €'000	Recognised in Other comprehensive income €'000	Closing balance 31 March 2023 €'000
Accelerated capital allowances	4,484	(421)	-	-	4,063
Other short term timing differences	11	1,804	-	-	1,815
Pension	(2,717)	(1,865)	(1,451)	3,284	(2,749)
Tax losses	33,706	848	1,451	-	36,005
Deferred tax asset	<u>35,484</u>	<u>366</u>	<u>-</u>	<u>3,284</u>	<u>39,134</u>

Deferred tax not recognised

	2023 €'000	2022 €'000
Tax losses	<u>42,403</u>	<u>28,863</u>
	<u>42,403</u>	<u>28,863</u>

NSK Europe Limited

Notes to the Company accounts For the year ended 31 March 2023

10. Stock

	2023 €'000	2022 €'000
Finished goods and goods for resale	104,581	122,477
	<u>104,581</u>	<u>122,477</u>

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

During the prior 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

	2023 €'000	2022 €'000
Gross trade debtors	648	2,287
Provision for doubtful debts	-	-
Rebates and discounts	(2,449)	(1,412)
Trade debtors	(1,801)	875
Amounts owed by subsidiary undertakings	189,631	201,967
Amounts owed by Group undertakings	29,796	14,352
Amounts owed by associated undertakings	-	3
Fixed terms loans to UK Group undertakings	103,131	103,294
Other debtors	179	259
VAT debtor	5,771	4,948
Prepayments and accrued income	4,176	5,625
Trade and other debtors falling due within one year:	<u>330,883</u>	<u>331,323</u>
Other debtors falling due after more than one year	9,483	9,863
Amounts owed by Group undertakings	<u>6,960</u>	<u>25,828</u>
	<u>16,443</u>	<u>35,691</u>
Total trade and other debtors	<u>347,326</u>	<u>367,014</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 €9.5 million (2022: €9.8 million) of amounts paid to customers, which are to be amortised against future revenue over the contractual period. During the prior 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 one company (2022: two companies) ultimately owned by NSK Ltd. and which is repayable in more than one year.

NSK Europe Limited

Notes to the Company accounts For the year ended 31 March 2023

12. Creditors

Amounts falling due within one year:

	2023 €'000	2022 €'000
Bank overdrafts	61,064	91,727
Bank loans (see below)	299,692	227,810
Bank loans and overdrafts	360,756	319,537
Trade creditors	2,316	4,172
Amounts owed to subsidiary undertakings	233,018	213,752
Amounts owed to Group undertakings	54,995	77,820
Fixed terms loans from a UK Group undertaking	41,000	41,000
VAT	9,073	7,976
Other creditors	7,983	6,903
	<u>709,141</u>	<u>671,160</u>

Amounts falling due after one year:

	2023 €'000	2022 €'000
Bank Loans	-	50,000
	<u>-</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 €61.1 million (2022: €91.7 million) falls within the Group's cash pooling arrangements.

In the prior year as a result of the Russia / Ukraine conflict, the Company 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 was 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 2023

12. Creditors (continued)

Bank loans

The bank loans are repayable as follows:

	2023 €'000	2022 €'000
Within one year – Short term loans	299,692	227,810
Long term loan	-	50,000
	<u>299,692</u>	<u>277,810</u>

The bank loans by currency:

	Euro €'000	Zloty €'000	US Dollar €'000	Total €'000
31 March 2022	267,000	-	10,810	277,810
31 March 2023	<u>283,600</u>	<u>-</u>	<u>16,092</u>	<u>299,692</u>

All loans are unsecured. The Floating rate loans are held with three banks (2022: three). Interest rate ranges from 1.42% to 5.37% (2022: 0.00% to 1.42%), with a weighted average interest of 3.21% (2022: 0.56%).

Long Term Bank loans

	2023 €'000	2022 €'000
Within one to five years	-	50,000
	<u>-</u>	<u>50,000</u>

The long-term loan was repaid on 17 April 2023 it carried an interest rate of 1.42%. As at 31 March 2023 this balance was included within the short-term loans balance.

NSK Europe Limited

Notes to the Company accounts For the year ended 31 March 2023

13. Provisions for liabilities

	2023 €'000	2022 €'000
Litigation and other legal matters	2,700	2,728
Provision for closure of St Petersburg office	-	550
Reorganisation provisions	3,083	79
	<u>5,783</u>	<u>3,357</u>

Litigation and other legal matters

	2023 €'000	2022 €'000
Beginning of year	2,728	5,350
Released in the year	-	(1,422)
Utilised in the year	(28)	(1,200)
End of year	<u>2,700</u>	<u>2,728</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. 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 2023

13. Provisions for liabilities (continued)

Provision for closure of St Petersburg office

	2023 €'000	2022 €'000
Beginning of year	550	-
Charged to the income statement	-	550
Utilised in the year	(550)	-
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:

	2023 €'000	2022 €'000
Beginning of year	79	1,532
Charged to the income statement	3,144	-
Utilised in the year	(140)	(1,453)
End of year	3,083	79

The charge in the current year relates to the voluntary redundancy programme in Germany for which the Company was recharged as it was a Strategic decision to implement such a programme.

The remaining provision is expected to be utilised by 31 March 2024.

NSK Europe Limited

Notes to the Company accounts For the year ended 31 March 2023

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:

Barber equalisation

On 17 May 1990 the Court of Justice of the European Union ruled that occupational pensions were a form of deferred pay (the "Barber" judgment).

Therefore, what is now Article 157 of the Treaty on the Functioning of the European Union applied, and it was unlawful to discriminate between men and women in relation to occupational pensions.

During the year ended 31 March 2023, the Scheme's Trustee agreed changes as to how benefits will be calculated for certain members affected by the Barber judgement.

This changes affected only members of one Section of the Scheme who had joined before 1 July 1990.

There were two changes as to how benefits were calculated:

- Normal Retirement Ages (NRA) are to be treated as having been equalised at age 65 for both men and women from 20 October 1992, rather than from 1 July 1992.
- The actuarial factor applied to pre-equalisation pensions with an NRA of 60 is to be amended for past and future retirements, and for past cash equivalent transfer values.

The changes applied resulted in an additional charge recognised in the year ended 31 March 2023 of €0.4 million (2022: nil).

The assets of the schemes at 31 March 2023

	€'000
Fair value of Scheme assets	105,276
Present value of Scheme liabilities	(94,280)
Pension surplus	10,996
	€'000
Bonds	104,642
Cash	634
Market value of Scheme assets	105,276

NSK Europe Limited

Notes to the Company accounts For the year ended 31 March 2023

14. Pension surplus (continued)

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	19,708

	€'000
Bonds	150,806
Cash	1,370
Market value of Scheme assets	152,176

Reconciliation of scheme assets and liabilities

	Scheme assets 2023 €'000	Scheme liabilities 2023 €'000
At beginning of the year	152,176	132,468
Barber Equalisation	-	433
Interest on pension scheme liabilities	-	3,550
Expected return on pension scheme assets	4,159	-
Employer contributions	5,156	-
Administration costs	(300)	-
Benefits paid	(5,730)	(5,730)
Change of assumptions	-	(33,704)
Other actuarial movement	(45,147)	1,696
Exchange arising on pension surplus	(5,038)	(4,433)
At end of the year	105,276	94,280

NSK Europe Limited

Notes to the Company accounts For the year ended 31 March 2023

14. Pension surplus (continued)

Main Financial Assumptions at each year-end

	2023 % Per annum	2022 % Per annum
RPI inflation	2.5	3.4
CPI inflation	4.8	2.8
Discount rate	<u>3.2</u>	<u>2.8</u>

The main demographic assumptions:

	31 March 2023	31 March 2022
Mortality table adopted	SAPS S3P 'Heavy' table with the following scaling applied: Member Lives Male/Female Pensioners: 96% / 108% Male/Female Deferreds: 99% / 113% Dependant Lives Male/Female Pensioners: 106% / 107% Male/Female Deferreds: 113% / 105%	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	20.4 years	20.7 years
Life expectancy for female currently aged 65	22.7 years	23.0 years
Life expectancy at 65 for male currently aged 45	21.6 years	21.8 years
Life expectancy at 65 for female currently aged 45	24.0 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.

NSK Europe Limited

Notes to the Company accounts For the year ended 31 March 2023

14. Pension surplus (continued)

Analysis of the defined benefit cost for the year ended 31 March 2023

	€'000
Analysis of amounts charged to operating profit	
Administration expenses	300
Barber Equalisation	433
Total operating cost	733

Analysis of amounts (credited) / charged to finance income

Expected return on pension scheme assets	(4,159)
Interest on pension scheme liabilities	3,550
Interest receivable	(609)
Foreign currency translation loss	605
Net finance income	(4)

€'000

Other comprehensive (expense) / income:

Actual return less expected return on pension scheme assets	(45,147)
Experience gains and losses arising on the scheme liabilities	(1,696)
Change in assumptions underlying the scheme liabilities	33,704
Actuarial expense recognised in other comprehensive income	(13,139)

NSK Europe Limited

Notes to the Company accounts For the year ended 31 March 2023

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	<u>234</u>
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	<u>(337)</u>

€'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 expense	<u>6,583</u>

NSK Europe Limited

Notes to the Company accounts For the year ended 31 March 2023

14. Pension surplus (continued)

Analysis of movements in the surplus during the year ended 31 March 2023

	€'000
Movement in surplus during the year:	
Surplus at the beginning of the year	19,708
<i>Movement in the year:</i>	
Administration expenses	(300)
Barber Equalisation	(433)
Contributions – regular	5,156
Other finance income	609
Foreign currency translation loss	(605)
Actuarial loss	(13,139)
Surplus in the scheme at the end of the year	10,996

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 gain	121
Actuarial gain	6,583
Surplus in the scheme at the end of the year	19,708

NSK Europe Limited

Notes to the Company accounts For the year ended 31 March 2023

14. Pension surplus (continued)

History of experience gains and losses

	Year ended 31 March 2023 €'000	Year ended 31 March 2022 €'000
History of experience gains and losses:		
Difference between the expected and actual return on scheme assets:		
Amount	(45,147)	(1,852)
Percentage of scheme assets	42.8%	1.2%
Experience gain on scheme liabilities:		
Amount	(1,696)	952
Percentage of the present value of scheme liabilities	1.8%	0.7%
 Total amount recognised in statement of comprehensive income:		
Amount	(13,139)	6,583
Percentage of the present value of scheme liabilities	<u>13.9%</u>	<u>5.0%</u>

NSK Europe Limited

Notes to the Company accounts For the year ended 31 March 2023

15. Called up share capital

	2023 €'000	2022 €'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 (2022: 58,526,000) translated at historic rate of 1.544 Euro's.

16. Guarantees and other financial commitments

Capital commitments:

	2023 €'000	2022 €'000
Contracted but not provided for	<u>2,575</u>	<u>1,342</u>

Lease commitments:

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

	2023 €'000	2022 €'000
Within one year	<u>307</u>	<u>483</u>
Between two and five years	<u>599</u>	<u>700</u>
	<u>906</u>	<u>1,183</u>

NSK Europe Limited

Notes to the Company accounts For the year ended 31 March 2023

16. Guarantees and other financial commitments (continued)

Contingent liabilities:

	2023 €'000	2022 €'000
Bank guarantees	796	816
Bank overdraft cross guarantees	<u>112,562</u>	<u>87,294</u>
	<u>113,358</u>	<u>88,110</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 €112.6 million (2022: €87.2 million), with net maximum potential liability under the cross-guarantee arrangement of €51.9 million (2022: €56.7 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 €57.5 million (2022: loss €49.1 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 2023. 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 2023

20. Russia / Ukraine conflict

On 24 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:

Russia / Ukraine conflict summary of Financial Impact:

	2022 €'000
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
Impact of Russia / Ukraine conflict	7,305

No further write off's / provisions were required for the year ended 31 March 2023.

21. Post Balance Sheet Events

The following events occurred after the balance sheet date:

- On 28 July 2023 NSK Europe Limited received a dividend of €40 million from its subsidiary NSK UK Limited.
- On 12 May 2023, NSK Ltd., the parent undertaking, entered into a Joint Venture agreement (the "JV agreement") with Japan Industrial Solutions III Investment Limited Partnership ("JIS"). Under the JV agreement, NSK Ltd. and JIS agreed for NSK Ltd. to transfer to JIS class shares equivalent to 50.1% of the voting rights of NSK Steering & Control Inc. ("NS&C"), the subsidiary of NSK Ltd. that controls its global steering business. NSK Ltd. had concluded that inviting JIS to be a partner in its steering business was important to further the aim to improve the global steering business as quickly as possible. The JV agreement took effect on 1 August 2023 and as of this date NS&C and its' subsidiaries became equity-method accounted affiliates of NSK Ltd.

From the perspective of NSK Europe Limited, the Steering Business (which is presented as part of Automotive Bearings & Components in Note 3 of the Group financial statements) will be transferred to the new JV and will represent a discontinued operation for NSK Europe Limited for the year ending 31 March 2024. As of 31 March 2023, while NSK Ltd. was considering various potential options for the Steering business it was not available for immediate sale in its present condition as multiple steps have subsequently been required to identify and separate the Steering business from NSK Europe Limited's automotive bearings and components division. As such the steering business as a whole is not treated as a discontinued operation for the year ended 31 March 2023.