

**Company Registration Number 3616334**

**DAIDO INDUSTRIAL BEARINGS  
EUROPE LIMITED**

**Report and Financial Statements**

**31 December 2010**

**MACFARLANES LLP  
20 CURSITOR STREET  
LONDON  
EC4A 1LT**

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COMPANIES HOUSE

# **DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2010**

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## **DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

S Hanji  
K Nohara  
T Sasaki  
K Kogure

#### **SECRETARY**

K Kogure (appointed 4 February 2010)

#### **REGISTERED OFFICE**

Winterhay Lane  
Ilminster  
Somerset  
TA19 9PH

#### **BANKERS**

National Westminster Bank Plc  
Manchester City Centre  
PO Box 305  
Spring Gardens  
Manchester  
M60 2DB

Mizuho Corporate Bank  
Bracken House  
One Friday Street  
London  
EC4M 9JA

#### **SOLICITORS**

Macfarlanes  
20 Cursitor Street  
London  
EC4A 1LT

#### **AUDITOR**

Deloitte LLP  
Bristol

## **DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

### **PRINCIPAL ACTIVITY**

The principal activities of the company comprise the manufacture of

- (i) Plain bearings and their sale into the European and other international markets for medium-speed diesel engines and rotating machinery, and
- (ii) Small turbos for use in automotive turbo chargers

### **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The directors expect that the general level of business activity will continue to increase in all areas but that the external environment will remain competitive. To counteract the competitive market, the development of new products and use of modern materials developed in conjunction with Daido Metal Co., Ltd in Japan will enable Daido Industrial Bearings Europe Limited to gain market share and increase profitability in both areas of principal activity.

In 2011 DIBE will maintain focus on manufacturing and process change using the principles of Kaizen, 5S and TPM to enable the business to consolidate all advances within manufacturing by progressively changing the culture of the business. The application of these is integral to ensure that improvements contribute towards achieving our three key performance indicators.

Key performance indicators	2010	2009
Annual sales growth	2.6%	(9.7%)
Gross profit margin	21.6%	21.3%
Scrap %	5.2%	4.6%

### **GOING CONCERN**

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors have adopted the going concern basis in preparing the annual report and accounts, as discussed further in note 1.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

#### **Foreign Exchange and Treasury**

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The company uses interest rate swap contracts and forward currency contracts to mitigate their exposure.

#### **Employees**

We seek to recruit and retain the best employees in our market and have a policy of equal opportunity applicable to the recruitment of new employees and to the management of existing employees. The safety of our employees is also an integral part of company ethos and is supported by our selection of manufacturing equipment suppliers and through ongoing training programmes.

#### **Competitive environment**

All markets in which DIBE operates experience a high degree of competition, with our main competitors being MIBA and BHW Zollern. There remains price pressure from our competitors throughout the marketplace. Daido Industrial Bearings Europe Limited introduces competitive materials to our customers and implements cost-cutting measures to maintain a competitive edge.

## **DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

##### **Environment**

The manufacture of our products has a direct impact on the local environment and DIBE is committed to limit its impact. This commitment is supported by our continuing efforts to minimise impact through investment in new technology, ongoing education of employees, the setting up of energy conservation teams and by maintaining our ISO14001 accreditation.

##### **Liquidity**

In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term loans and short-term debt finance.

#### **RESULTS AND DIVIDENDS**

The profit for the year was £48,000 (2009 loss of £605,000). The directors cannot recommend the payment of a dividend (2009 £nil).

#### **DIRECTORS**

The directors during the year and subsequently were as follows:

S Hanji  
K Nohara  
N Graham (resigned 7 December 2010)  
T Sasaki  
K Kogure  
F Muenchow (resigned 7 December 2010)

#### **AUDITOR**

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP as the company's auditor was proposed and approved at the annual general meeting held on 11 July 2011.

Approved by the Board of Directors  
and signed on behalf of the Board



**K Kogure**  
Director and Company Secretary

## **DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED**

We have audited the financial statements of Daido Industrial Bearings Europe Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditor**

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

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

*David Hedditch*

**David Hedditch (Senior statutory auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Bristol, United Kingdom

9 August 2011

# DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 December 2010

	Note	2010 £'000	2009 £'000
<b>TURNOVER</b>	2	11,240	10,950
Cost of sales		(6,112)	(6,054)
<b>GROSS PROFIT</b>		5,128	4,896
Administrative expenses		(4,953)	(5,330)
Other operating income		61	64
<b>OPERATING PROFIT/(LOSS)</b>		236	(370)
Interest payable and similar charges	4	(188)	(235)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	48	(605)
Tax on profit/(loss) on ordinary activities	6	-	-
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	16	48	(605)

There have been no recognised gains and losses for the current or the prior financial year other than as stated in the profit and loss account and, accordingly, no separate statement of total recognised gains and losses is presented

All amounts are derived from continuing operations



# DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED

## BALANCE SHEET At 31 December 2010

	Note	2010		2009	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	7		5,586		6,148
<b>CURRENT ASSETS</b>					
Stocks	8	2,165		1,867	
Debtors	9	3,065		2,302	
Cash at bank and in hand	10	1,106		852	
		6,336		5,021	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	(7,545)		(5,816)	
<b>NET CURRENT LIABILITIES</b>			(1,209)		(795)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			4,377		5,353
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	12		(1,333)		(2,357)
<b>NET ASSETS</b>			3,044		2,996
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		13,500		13,500
Profit and loss account	16		(10,456)		(10,504)
<b>SHAREHOLDERS' FUNDS</b>			3,044		2,996

The financial statements of Daido Industrial Bearings Europe Limited, registered number 3616334, were approved by the board of directors and authorised for issued on

*1st August 2011*

Signed on behalf of the Board of Directors



**K Kogure**  
Director

## DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

#### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies, which have been applied consistently throughout the current and preceding year, are described below.

##### Accounting convention

The financial statements are prepared under the historical cost convention.

##### Going concern

The company meets its day-to-day working capital requirements through a loan facility as follows:

- 1 £3,000,000 facility provided by Mizuho Corporate Bank and guaranteed by Daido Metal Co., Ltd. This facility was renewed on 28 February 2011 for another year until 29 February 2012.
- 2 Additionally, Daido Industrial Bearings Europe Limited obtained a new facility from Citibank N A London Branch which is guaranteed by Daido Metal Co., Ltd. This facility is available from 19 May 2011 to 19 May 2012.

The company has adequate funds to cover the cost of raw materials and other necessary materials to meet future planned investment.

The company's forecasts and projections show that the company should be able to operate within the levels of its current facilities.

The company relies on the support of its parent company, Daido Metal Co., Ltd, which has provided a letter of confirmation to ensure the company can meet its liabilities as they fall due. The directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

##### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is provided on a straight-line basis, at the following annual rates in order to write off each asset over its estimated useful life as follows:

Assets under the course of construction	nil
Freehold land	nil
Freehold buildings	over 25 years
Plant and machinery	over 8 to 10 years
Fixtures and fittings	over 3 to 5 years

##### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

## **DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2010**

#### **1. ACCOUNTING POLICIES (continued)**

##### **Derivative financial instruments**

The company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes and the company does not apply hedge accounting.

##### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

##### **Foreign exchange**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included within the profit and loss account.

##### **Pension costs**

The company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

##### **Leases**

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over the shorter of the lease term or their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Rental costs under operating leases are charged to the profit and loss account in equal annual instalments over the period of the lease.

## DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

#### 1. ACCOUNTING POLICIES (continued)

##### Cash flow statement

The company has taken advantage of the exemption allowed by FRS 1 not to prepare a cash flow statement for the year. The consolidated financial statements of the ultimate parent company, Daido Metal Co, Ltd, which is incorporated in Japan, are publicly available from its registered offices at 13F Nogoya Hirokoji Building, 2-3-1 Sakae Naka-ku Nagoya, 460-0008, Japan, and include a consolidated cash flow statement, which incorporates the cash flows of the company.

#### 2. TURNOVER

Turnover represents the total amount receivable by the company in the ordinary course of business for goods supplied and services provided stated net of value added tax and including provisions for discounts and retentions. Revenue for all sales is recognised on despatch of the goods.

Analysis of turnover by geographical market	2010 £'000	2009 £'000
United Kingdom	4,302	3,739
United States of America	1,680	1,714
Europe	3,523	4,168
Asia	1,698	1,311
Rest of the world	37	18
	<u>11,240</u>	<u>10,950</u>

#### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2010 £'000	2009 £'000
Directors' emoluments		
Salary	174	213
Pension contributions	-	6
	<u>174</u>	<u>219</u>

S Hanji and T Sasaki are paid for their services by Daido Metal Co, Ltd. The financial statements of Daido Metal Co, Ltd, which include disclosures regarding the emoluments of these directors, are publicly available from its registered offices at 13F Nogoya Hirokoji Building, 2-3-1 Sakae Naka-ku Nagoya, 460-0008.

N Graham and F Muenchow were paid for their services by Federal-Mogul Corporation.

Where the directors are remunerated by other companies and this remuneration includes their services to Daido Industrial Bearings Europe Limited, it is not practicable to allocate their remuneration between their services as directors of this company and their services as directors of other companies.

**DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2010**

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Employee costs during the year (including directors)		
Wages and salaries	3,894	3,860
Social security costs	357	339
Other pension costs	191	191
	<u>4,442</u>	<u>4,390</u>
Average number of persons employed (including directors)	<b>No.</b>	<b>No.</b>
Management and other staff	67	69
Production	91	96
	<u>158</u>	<u>165</u>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Bank loan	85	121
Group loans	42	32
Hire purchase and finance lease agreements	61	82
	<u>188</u>	<u>235</u>

**5. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Profit/(loss) on ordinary activities before taxation is after charging		
Rentals under operating leases - plant and machinery	24	27
Depreciation		
- owned assets	683	664
- leased assets	137	137
Auditor's remuneration		
- audit fees	21	21
- non-audit fees	13	8
Exchange loss	82	207
	<u></u>	<u></u>

# DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	2010 £'000	2009 £'000
<b>Corporation tax</b>		
Corporation tax charge for the year	-	-
<b>Total current tax charge</b>		-
<b>Deferred tax</b>		
Timing differences, origination and reversal	-	-
Adjustment in respect of prior years	-	-
<b>Tax on profit/(loss) on ordinary activities</b>	-	-

The current tax charge for the year differs from the standard rate for the reasons set out in the following reconciliation

	£'000	£'000
Profit/(loss) on ordinary activities before taxation	48	(605)
	£'000	£'000
Tax at 28% (2009 28%) thereon	13	(169)
<b>Factors affecting the charge</b>		
Depreciation in excess of capital allowances	(11)	226
Other short-term timing differences	(3)	2
Losses brought forward	1	(21)
Group relief	-	(38)
	-	-

In the Budget on 22 June 2010, the UK Government proposed, amongst other things, to reduce the rate of Corporation Tax in four annual decrements of 1% with effect from 1 April 2011. The first decrement from 28% to 27% was enacted in the Finance (No 2) Act 2010 on 27 July 2010. In conjunction, reductions to the rate of capital allowances have also been proposed, to take effect from 1 April 2012. Together as a result of these changes, existing temporary differences may unwind in periods subject to the reduced tax rate giving rise to a reduction of the deferred tax liability. Accordingly, the closing deferred tax assets and liabilities have been calculated at the rate of 27%. An additional 1% decrement, also effective from 1 April 2011, was announced by the UK Government in the Budget on 23 March 2011, but was not enacted at the year-end.

# DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

### 7. TANGIBLE FIXED ASSETS

	Assets under the course of construction £'000	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>					
At 1 January 2010	24	3,807	17,011	367	21,209
Additions	258	-	-	-	258
Transfers	(141)	-	137	4	-
Disposals	-	-	-	(4)	(4)
At 31 December 2010	141	3,807	17,148	367	21,463
<b>Accumulated depreciation</b>					
At 1 January 2010	-	686	14,076	299	15,061
Charge for the year	-	113	673	34	820
Disposals	-	-	-	(4)	(4)
At 31 December 2010	-	799	14,749	329	15,877
<b>Net book value</b>					
At 31 December 2010	141	3,008	2,399	38	5,586
At 31 December 2009	24	3,121	2,935	68	6,148

Freehold land and buildings include land costing £1,200,000 (2009 £1,200,000) that is not depreciated

Assets included in plant and machinery above, held under finance lease and hire purchase contracts, have a net book value of £307,000 (2009 £444,000)

### 8. STOCKS

	2010 £'000	2009 £'000
Raw materials and consumables	1,307	1,072
Work in progress	236	434
Finished goods	622	361
	<u>2,165</u>	<u>1,867</u>

# DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

9. DEBTORS	2010 £'000	2009 £'000
Trade debtors	2,605	2,210
Amounts owed by group undertakings	444	-
Prepayments and accrued income	16	92
	<u>3,065</u>	<u>2,302</u>

## 10. CASH AT BANK AND IN HAND

At the year-end this balance included restricted funds of £40,000 (2009 £40,000)

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2010 £'000	2009 £'000
Bank loan	3,638	3,630
Obligations under finance leases and hire purchase contracts	116	173
Trade creditors	618	423
Amounts owed to group undertakings	2,896	1,098
Other taxation and social security	65	137
Accruals and deferred income	212	355
	<u>7,545</u>	<u>5,816</u>

The amounts owed to group undertakings include £2,125,000 (2009 £612,000) in relation to a loan with the parent company

## 12. CREDITORS. AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010 £'000	2009 £'000
Bank loan	1,065	1,240
Hire purchase and finance lease agreements	3	119
Amounts owed to group undertakings	265	998
	<u>1,333</u>	<u>2,357</u>

Obligations under finance leases are secured on the related assets

The amounts owed to group undertakings relate to a loan with the parent company



# DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

<b>13. BORROWINGS</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Bank loan is repayable as follows		
- within one year or on demand	3,638	3,630
- one to two years	285	138
- two to five years	514	464
- after five years	266	638
	<u>4,703</u>	<u>4,870</u>
	<b>£'000</b>	<b>£'000</b>
Loan from parent company is repayable as follows		
- within one year	2,125	612
- one to two years	133	252
- two to five years	133	746
	<u>2,391</u>	<u>1,610</u>
	<b>£'000</b>	<b>£'000</b>
Hire purchase and finance leases		
- within one year	116	173
- one to two years	3	116
- two to five years	-	3
	<u>119</u>	<u>292</u>

The bank loan is secured on the freehold land and buildings and by a fixed and floating charge over all of the company's assets. Interest is charged on the loan at 1.75% above base rate.

The loan from the parent company is unsecured and interest is charged at a rate of 1.6% to 2% per annum. Hire purchase and finance leases are secured on the assets to which they relate.

## 14 PROVISIONS FOR LIABILITIES

There is no provision for deferred tax.

The company has a net unprovided deferred tax asset at 31 December 2010 of £1,560,032 at 27% (2009 £1,669,000 at 28%) which has not been recognised since there is insufficient evidence to suggest that a taxable profit will be available in the foreseeable future against which these losses can be utilised.

# DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

15	SHARE CAPITAL	2010 £'000	2009 £'000
	Allotted, called up and fully paid		
	'A' ordinary shares of £1 each	12,250	12,250
	'B' ordinary shares of £1 each	1,250	1,250
		<u>13,500</u>	<u>13,500</u>

The two different classes of shares rank pari passu

## 16. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Share capital £'000	Profit and loss account £'000	Total 2010 £'000	Total 2009 £'000
At beginning of year	13,500	(10,504)	2,996	3,601
Profit/(loss) for the financial year	-	48	48	(605)
At end of year	<u>13,500</u>	<u>(10,456)</u>	<u>3,044</u>	<u>2,996</u>

## 17. OPERATING LEASE COMMITMENTS

At 31 December 2010 and 2009 the company was committed to making the following payments during the next year in respect of operating leases

	Other 2010 £'000	Other 2009 £'000
Leases which expire		
- within one year	3	5
- within two to five years	44	19
	<u>47</u>	<u>24</u>

## **DAIDO INDUSTRIAL BEARINGS EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2010**

#### **18. OTHER COMMITMENTS**

The company has three loans from parent undertakings of 69,520,000JPY, 19,207,000JPY and 115,000,000JPY. The company has entered into cross currency swaps with a nominal value of £1,500,000 during the year to mitigate its foreign exchange exposure which have a negative fair value at 31 December 2010 of £68,000 (2009 £37,000).

The company has a bank loan of £1,204,000 (2009 £1,370,000) for which the company has entered into an interest rate swap to mitigate its interest rate exposure which has a positive fair value at 31 December 2010 of £82,000 (2009 £68,000).

#### **19. PENSION SCHEMES**

The company operates a defined contribution pension scheme. The pension charge for the year amounted to £191,000 (2009 £191,000).

#### **20. RELATED PARTY TRANSACTIONS**

During the year the company made sales in the ordinary course of business to Daido Metal Europe Limited, a group company, at a value of £1,994,000 and purchased goods at a value of £6,000. Amounts owed by Daido Metal Europe Limited at year-end totalled £390,000. During the year the company made sales in the ordinary course of business to Daido Metal Japan, a group company, at a value of £89,000. Amounts owed by Daido Metal Japan at year-end totalled £59,000. During the year the company made sales in the ordinary course of business to Daido EHQ, a group company, at a value of £nil. Amounts owed by Daido EHQ at year-end totalled £18,000.

During the year the company purchased goods in the ordinary course of business from Daido Metal Japan, a group company, at a value of £1,667,000. Amounts owed to Daido Metal Japan at year-end totalled £700,000. During the year the company purchased goods in the ordinary course of business from Daido Metal Kotor, a group company, at a value of £201,000. Amounts owed to Daido Metal Kotor at year-end totalled £23,000. During the year the company purchased goods in the ordinary course of business from Daido Metal Russia, a group company, at a value of £80,000. There was no outstanding balance from Daido Metal Russia at year-end.

#### **21. POST BALANCE SHEET EVENTS**

On 4 January 2011 the 1,250,000 'B' shares owned by Federal-Mogul Global Growth Limited were purchased by Daido Metal Co., Ltd.

#### **22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

In the directors' opinion, the company's ultimate parent undertaking and controlling party is Daido Metal Co., Ltd, which is incorporated in Japan. Daido Metal Co., Ltd is also the smallest and largest group for which consolidated financial statements are prepared. Copies of its group financial statements, which include the company, are available from 13F Nogoya Hirokoji Building, 2-3-1 Sakae Naka-ku Nagoya, 460-0008, Japan.