

Registered number: 03616334

Daido Industrial Bearings Europe Limited

Annual report and financial statements

for the year ended 31 December 2017

TUESDAY



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COMPANIES HOUSE

Daido Industrial Bearings Europe Limited

Report and financial statements

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Daido Industrial Bearings Europe Limited

Officers and professional advisers

DIRECTORS

N Green
N Hiramatsu
K Kogure
K Shoda
M Hopkins

SECRETARY

N Green

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

Sumitomo Mitsui Banking Corporation Europe Ltd
99 Queen Victoria Street
London
EC4V 4EH

SOLICITORS

Macfarlanes
20 Cursitor Street
London
EC4A 1LT

AUDITOR

Deloitte LLP
Bristol

Daido Industrial Bearings Europe Limited

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The principal activity of the company comprises the manufacture of plain bearings for medium-speed diesel engines and rotating machinery, and small turbos for use in automotive turbo chargers.

During 2017 the business environment remained very competitive. Positive indications of an increase in customer confidence and market recovery were seen with turnover increasing 11.0% to £10,772,000 (2016: £9,706,000). However, the Company continued to report a loss before taxation of £1,482,000 (2016: £3,607,000) as the level of gross profit remains lower than administrative expenses. The Directors expect the business to return to profit as the market continues to recover and turnover and gross margin increase. At the year end the company had net liabilities of £4,576,000 (2016: £3,094,00).

The programme of quality improvement, on-time delivery improvement and cost control continued during 2017.

The programme of new product development continued by Daido Industrial Bearings Europe Limited in conjunction with Daido Metal Co., Ltd, incorporated in Japan. During 2017, resources were invested in the successful launch of several new parts which will positively impact the 2018 turnover.

Daido Industrial Bearings Europe Limited's systems and processes remained continually under review during 2017 using the principles of Kaizen, 5S and TPM. In order to improve our three key performance indicators, the application of these principles are fundamental.

KEY PERFORMANCE INDICATORS

	2017	2016
Annual sales increase / (decrease)	11.0%	(27.5%)
Gross profit margin	32.3%	46.4%
Scrap	2.5%	3.0%

Sales have increased which reflects the improvement in customer confidence and a gradual recovery in the market. Meanwhile the gross profit margin has decreased due to increased direct labour and material costs. Scrap has decreased to 2.5% as a result of successful improvement projects.

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive environment

All markets in which the company operates experience a high degree of competition, with our main competitors. There remains price pressure from our competitors throughout the marketplace. Daido Industrial Bearings Europe Limited has introduced competitive materials to the market and implemented cost controlling and quality improvement measures to maintain a competitive edge.

EMPLOYEES

The company seeks to recruit and retain the best employees in our market and has 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.

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


N Green
Director

9/7/18

Daido Industrial Bearings Europe Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2017.

GOING CONCERN

Due to the loss recorded in the year and the net current liabilities position as at the year-end, the directors have received a letter of support from the parent company covering the period of at least 12 months from the date of this report. The directors have considered the ability of the parent company to provide that support based on their financial position and performance and expect such support would be provided. As a result, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. This is mitigated wherever possible by matching foreign currency receipts and payments.

Interest-bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The company's principal financial assets are bank balances, trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

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

DIVIDENDS

The directors can not recommend the payment of a dividend (2016: £nil).

DIRECTORS

The directors, who served throughout the year and subsequently except as noted, were as follows:

K Shoda
N Hiramatsu
K Kogure
N Green
M Hopkins (appointed 4 July 2017)

Daido Industrial Bearings Europe Limited

Directors' report (continued)

AUDITOR

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- 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.

Deloitte LLP, having consented to act, have been appointed auditor of the company to hold office until the directors determine otherwise.

APPROVAL OF REDUCED DISCLOSURES

The company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the company by Daido Metal Co., Ltd, as the immediate parent of the entity and 100% shareholder. They should be served by no later than 31 December 2018.

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



N Green
Director

9/7/18

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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 member of Daido Industrial Bearings Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Daido Industrial Bearings Europe Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 company 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

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the member of Daido Industrial Bearings Europe Limited (continued)

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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.

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Jason Parsons ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom
9 July 2018

Daido Industrial Bearings Europe Limited

Profit and loss account

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Turnover	3	10,772	9,706
Cost of sales		(7,295)	(5,206)
Gross profit		3,477	4,500
Administrative expenses		(4,992)	(8,073)
Other operating income		176	120
Operating loss		(1,339)	(3,453)
Finance costs (net)	4	(143)	(154)
Loss on ordinary activities before taxation	5	(1,482)	(3,607)
Tax on loss on ordinary activities	9	-	-
Loss for the financial year attributable to the equity shareholder of the company		(1,482)	(3,607)

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 comprehensive income is presented.

All amounts are derived from continuing operations.

Daido Industrial Bearings Europe Limited

Balance sheet

At 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	10	2,814	2,632
Current assets			
Stocks	11	3,502	3,592
Debtors	12	5,254	3,880
Cash at bank and in hand		547	1,901
		<u>9,303</u>	<u>9,373</u>
Creditors: amounts falling due within one year	13	(16,480)	(14,644)
Net current liabilities		<u>(7,177)</u>	<u>(5,271)</u>
Total assets less current liabilities		(4,363)	(2,639)
Creditors: amounts falling due after more than one year	14	-	(122)
Provisions for liabilities	16	(213)	(333)
Net liabilities		<u>(4,576)</u>	<u>(3,094)</u>
Capital and reserves			
Called up share capital	18	13,500	13,500
Profit and loss account	18	(18,076)	(16,594)
Shareholder's deficit		<u>(4,576)</u>	<u>(3,094)</u>

The financial statements of Daido Industrial Bearings Europe Limited (registered number 03616334) were approved by the Board of Directors and authorised for issue on

They were signed on its behalf by:



N Green
Director

9/7/18

Daido Industrial Bearings Europe Limited

Statement of changes in equity

At 31 December 2017

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2016	13,500	(12,987)	513
Loss for the financial year	-	(3,607)	(3,607)
At 31 December 2016	13,500	(16,594)	(3,094)
Loss for the financial year	-	(1,482)	(1,482)
At 31 December 2017	13,500	(18,076)	(4,576)

Daido Industrial Bearings Europe Limited

Notes to the financial statements

For the year ended 31 December 2017

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

Daido Industrial Bearings Europe Limited is a company limited by shares incorporated in England and Wales under the Companies Act. The address of the registered office is Daido Industrial Bearings Europe Limited, Winterhay Lane, Ilminster, Somerset, TA19 9PH. The nature of the company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Daido Industrial Bearings Europe Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Daido Industrial Bearings Europe Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Daido Industrial Bearings Europe Limited is consolidated in the financial statements of its parent, Daido Metal Co., Ltd, which may be obtained at 13F Nogoya Hirokoji Building, 2-3-1 Sakae Naka-ku Nagoya, 460-0008, Japan. Exemptions have been taken in these separate company financial statements in relation to financial instruments, the presentation of a cash flow statement and remuneration of key management personnel.

Going concern

Due to the loss recorded in the year and the net current liabilities position as at the year-end, the directors have received a letter of support from the parent company covering the period of at least 12 months from the date of this report. The directors have considered the ability of the parent company to provide that support based on their financial position and performance and expect such support would be provided. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adapted the going concern basis in preparing the annual report and accounts.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Daido Industrial Bearings Europe Limited

Notes to the financial statements

For the year ended 31 December 2017

1. Accounting policies (continued)

Financial instruments (continued)

(i) Financial assets and liabilities (continued)

Debt instruments that have no stated interest rate (and do not constitute a financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the Moving Average method. Provision is made for obsolete, slow-moving or defective items where appropriate.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Impairment charges are recognised in administrative expenses in the profit and loss account.

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:

Freehold buildings	over 25 years
Plant and machinery	over 8 to 10 years
Fixtures and fittings	over 3 to 10 years

Assets under the course of construction are not subject to depreciation until they are completed and ready for use. Freehold land is not depreciated.

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 by 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.

Daido Industrial Bearings Europe Limited

Notes to the financial statements **For the year ended 31 December 2017**

1. Accounting policies (continued)

Taxation (continued)

Unrelieved tax losses and other deferred tax assets are recognised only 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.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards of ownership of the good are considered to have been transferred to the buyer and the company does not retain continuing managerial involvement usually associated with ownership or effective control over the goods sold. This is upon physical delivery of goods to the customer or, in the case whereby the shipping terms are for customer collection, the point at which the goods are ready for collection. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Employee benefits

Daido Industrial Bearings Europe Limited operates a defined contribution 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 an accrual or a prepayment in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grant income is recognised in profit and loss over the period in which the related costs are recognised.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Daido Industrial Bearings Europe Limited

Notes to the financial statements

For the year ended 31 December 2017

1. Accounting policies (continued)

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

2. Critical accounting judgements and key sources of estimation and uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

The company has different collection and delivery terms with each of its customers, resulting in the revenue being recognised at different points of the sale transaction for different customers. All revenues booked in these financial statements are recognised when the significant risks and rewards are considered to have been transferred to the buyer.

Key source of estimation uncertainty

Impairment of tangible assets

Determining whether tangible assets are impaired requires an estimation of their value in use to the company. The value in use calculation requires the company to estimate the future cash flows expected to arise from the tangible asset and a suitable discount rate in order to calculate present value. Estimations were prepared on future cash flows based on the latest approved budgets and forecasts covering the remaining useful economic lives of the respective assets. In the current year there was an indication of impairment but upon review no impairment charge (2016: a charge of £1,900,000) has been made to administrative expenses in the year.

Warranty provision

The warranty provision is an area of key estimation uncertainty with customers making claims from time to time. Provision is made from management's best estimate of the liability at the balance sheet date based on past experience and any ongoing discussions with customers.

Daido Industrial Bearings Europe Limited

Notes to the financial statements

For the year ended 31 December 2017

3. Turnover

Analysis of turnover by geographical market:

	2017 £'000	2016 £'000
United Kingdom	10,102	8,958
Asia	670	748
Total turnover	10,772	9,706

An analysis of the company's turnover is as follows:

	2017 £'000	2016 £'000
Sale of goods	10,772	9,706

4. Finance costs (net)

Interest payable and similar charges

	2017 £'000	2016 £'000
Bank loans and overdrafts	128	120
Group loans	15	34
	143	154

5. Loss on ordinary activities before taxation

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

	2017 £'000	2016 £'000
Operating lease rentals	20	35
Depreciation on owned assets	124	543
Foreign exchange loss	74	110
Stock cost recognised as an expense	5,095	3,564
Grant income received	(689)	(260)
Loss/(profit) on disposal of fixed assets	9	(162)
Impairment charge on property, plant and equipment	-	1,900

Daido Industrial Bearings Europe Limited

Notes to the financial statements

For the year ended 31 December 2017

6. Auditor's remuneration

	2017 £'000	2016 £'000
Fees payable to Deloitte LLP and their associates:		
- audit of the company's annual accounts	30	26
- taxation compliance services	6	6
- audit related assurance services	-	4
Total fees	<u>36</u>	<u>36</u>

7. Staff numbers and costs

	2017 Number	2016 Number
The average monthly number of employees (including executive directors) was:		
Management and other staff	69	59
Production	93	100
	<u>162</u>	<u>159</u>
Their aggregate remuneration comprised:	£'000	£'000
Wages and salaries	4,529	4,245
Social security costs	426	378
Other pension costs (see note 19)	193	187
	<u>5,148</u>	<u>4,810</u>

8. Directors' remuneration

	2017 £'000	2016 £'000
Emoluments	<u>73</u>	<u>163</u>
Remuneration of the highest paid director was:	£'000	£'000
Emoluments	<u>43</u>	<u>130</u>
	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	<u>1</u>	<u>-</u>

Daido Industrial Bearings Europe Limited

Notes to the financial statements

For the year ended 31 December 2017

9. Tax on loss on ordinary activities

The tax charge comprises:

	2017 £	2016 £
Current tax on loss on ordinary activities		
UK corporation tax		
	<u> </u>	<u> </u>

There is no expiry date on timing differences, unused tax losses or tax credits.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before taxation is as follows:

	£'000	£'000
Loss on ordinary activities before taxation	<u>(1,482)</u>	<u>(3,607)</u>
	£'000	£'000
Tax on loss on ordinary activities at a standard rate of 19.25% (2016: 20.00%)	(285)	(721)
Effects of:		
- Expenses not deductible for tax purposes	23	382
- Prior year adjustment in deferred tax asset not recognised	(240)	-
- Current year movement in deferred tax asset not recognised	265	7
- Group relief surrendered	<u>237</u>	<u>332</u>
Total tax charge for financial year	<u> </u>	<u> </u>

The UK Government has indicated that it intends to enact a further reduction in the main tax rate to 17% by 1 April 2020. The directors are not aware of any other factors that will materially affect the future tax charge.

Deferred tax

There is no provision for deferred tax.

The company has an unprovided deferred tax asset as at 31 December 2017 in relation to unused tax losses and capital allowances of £1,277,088 at 17% (2016: £1,011,731 at 17%) 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 and allowances can be utilised.

Daido Industrial Bearings Europe Limited

Notes to the financial statements

For the year ended 31 December 2017

10. Tangible fixed assets

	Freehold land and buildings £'000	Fixtures and fittings £'000	Plant and machinery £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation					
At 1 January 2017	3,833	570	18,604	214	23,221
Additions	-	-	9	297	306
Disposals	-	-	(249)	-	(249)
Transfers	15	58	93	(166)	-
At 31 December 2017	3,848	628	18,457	345	23,278
Depreciation					
At 1 January 2017	1,477	508	18,604	-	20,589
Charge for the year	106	10	8	-	124
Disposals	-	-	(249)	-	(249)
At 31 December 2017	1,583	518	18,363	-	20,464
Net book value					
At 31 December 2017	2,265	110	94	345	2,814
At 31 December 2016	2,356	62	-	214	2,632

11. Stocks

	2017 £'000	2016 £'000
Raw materials and consumables	1,479	1,288
Work in progress	775	684
Finished goods and goods for resale	1,248	1,620
	3,502	3,592

12. Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade debtors	55	42
Amounts owed by group undertakings	5,113	3,589
Prepayments and accrued income	86	249
	5,254	3,880

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

Daido Industrial Bearings Europe Limited

Notes to the financial statements

For the year ended 31 December 2017

13. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loans	13,100	11,500
Trade creditors	930	912
Amounts owed to group undertakings	1,388	770
Other taxation and social security	331	240
Accruals and deferred income	731	1,222
	<u>16,480</u>	<u>14,644</u>

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

14. Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Bank loan	<u>-</u>	<u>122</u>

15. Borrowings

	2017 £'000	2016 £'000
The bank loan is repayable as follows:		
- within one year or on demand	13,100	11,500
- one to two years	-	122
	<u>13,100</u>	<u>11,622</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.

16. Provisions for liabilities

	Product warranties £'000
At 1 January 2017	(333)
Utilised in the year	<u>120</u>
At 31 December 2017	<u>(213)</u>

The warranty provision is a provision for costs expected to be incurred under the terms of warranty and is payable within one year.

Daido Industrial Bearings Europe Limited

Notes to the financial statements

For the year ended 31 December 2017

17. Operating lease commitments

	2017 £'000	2016 £'000
Obligations under non-cancellable operating leases are as follows:		
- within one year	5	1
- within one to five years	12	-
	<u>17</u>	<u>1</u>

18. Called up share capital and reserves

	2017 £'000	2016 £'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.

The company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments.

19. Employee benefits

Defined contribution schemes

The company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the period ended 31 December 2017 was £193,000 (2016: £187,000). At the year end unpaid pension contributions, included in accruals, were £59,621 (2016: £nil).

20. Related party transactions

During the year the company purchased goods in the ordinary course of business from Daido Metal Co., Ltd the ultimate parent and controlling party at a cost of £1,685,075 (2016: £1,109,536). Amounts owed by and to the ultimate parent company at the reporting date were £52,636 and £720,078 (2016: £73,626 and £419,187).

21. 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.