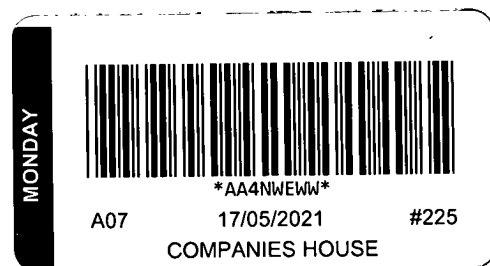


Registered number: 03616334

**Daido Industrial Bearings Europe Limited**

**Annual report and financial statements**

**for the year ended 31 December 2019**



# **Daido Industrial Bearings Europe Limited**

## **Annual report and financial statements**

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# **Daido Industrial Bearings Europe Limited**

## **Officers and professional advisers**

### **DIRECTORS**

S Asai  
T Ichihashi  
M Hopkins  
N Kurita  
K Shoda

### **SECRETARY**

M Hopkins

### **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 Bank London Branch  
Mizuho House  
30 Old Bailey  
London  
EC4M 7AU

SMBC Bank International plc  
99 Queen Victoria Street  
London  
EC4V 4EH

### **SOLICITORS**

Macfarlanes LLP  
20 Cursitor Street  
London  
EC4A 1LT

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
2 Glass Wharf  
Temple Quay  
Bristol  
BS2 0FR

# 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 BUSINESS AND FUTURE DEVELOPMENTS

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 2019, the business environment remained very competitive. Positive indications of an increase in customer confidence and market recovery were seen with turnover increasing 5% to £12,266,000 (2018: £11,682,000). However, the company continued to report a loss before taxation of £532,000 (2018: £1,398,000) as the level of gross profit remained lower than administrative expenses.

At the year end, the company had net liabilities of £6,506,000 (2018: £5,974,000).

The programme of productivity improvements and new product developments continued, supported by investment in key machinery and equipment for volume cell production. Continuous improvement activities continued across all functions within the business during 2019. The impact to the three priority KPIs in 2019 was as follows:

	2019	2018
Annual sales increase / (decrease)	5.0%	8.4%
Gross profit margin	36.0%	31.8%
Scrap	2.0%	2.3%

Sales have increased which reflects the improvement in customer confidence and a gradual recovery in the market. Meanwhile the gross profit margin has increased due to an improvement in the mix of sales. Scrap has increased by 0.3% to 2.6% of production costs as successful improvement projects reduce the overall product costs.

As part of the company Mid Term Plan of 2020-2025, the directors expect the business to return to profit as turnover and gross margin increase. This takes into account the COVID 19 pandemic impact on 2020 and 2021.

### PRINCIPAL RISKS AND UNCERTAINTIES

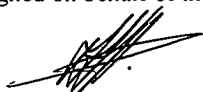
#### Competitive environment

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 and professional development 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



**M Hopkins**  
Director  
29<sup>th</sup> April 2021

# **Daido Industrial Bearings Europe Limited**

## **Directors' report**

The directors present their annual report on the affairs of the company, together with the audited financial statements and auditors' report, for the year ended 31 December 2019.

### **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 where ever 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 cannot recommend the payment of a dividend nil (2018: £nil).

### **DIRECTORS**

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

K Shoda  
S Asai (appointed 26 March 2020)  
Y Emoto (resigned 8 April 2019)  
N Hiramatsu (appointed 27 November 2019, resigned 26 March 2020)  
T Ichihashi (appointed 27 November 2019)  
N Green (resigned 1 September 2020)  
M Hopkins  
N Kurita  
S Tsuchiya (appointed 8 April 2019, resigned 27 November 2019)

# **Daido Industrial Bearings Europe Limited**

## **Directors' report (continued)**

### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

The review of the business and future developments are shown in the strategic report on page 2.

### **POST BALANCE SHEET EVENTS**

The impact of COVID 19 is as non-adjusting post balance sheet event and through the period of the pandemic the company has been able to maintain production. The company has made use of the furlough scheme to reduce labour costs as customer demand reduced by 20% in 2020 and 2021. This has enabled the company to continue to perform to revised budget levels and with the continued support of the Daido Metal Co., Ltd group the company is well positioned to get through this challenging period. The review of markets shows that demand is expected to return to pre Covid levels in 2022.

The business has found BREXIT to have limited impact to the business as management actions were in place for all changes to processes and procedures.

### **DIRECTORS' LIABILITY INSURANCE AND INDEMNITY**

The Company has arranged insurance cover in respect of legal action against its Directors. To the extent permitted by UK law, the Company also indemnifies the Directors. These provisions were in force throughout the year, were in force at the date of this report and were qualifying third party indemnity provisions for the purpose of the Companies Act 2006.

### **DISCLOSURE OF INFORMATION TO AUDITORS**

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 auditors are 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 auditors are aware of that information.

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

### **INDEPENDENT AUDITORS**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

on behalf of the Board



M Hopkins  
Director  
29<sup>th</sup> April 2021

## **Daido Industrial Bearings Europe Limited**

### **Statement of directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the 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 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, 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 company will continue in business.

The directors 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.

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.

# ***Independent auditors' report to the members of Daido Industrial Bearings Europe Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Daido Industrial Bearings Europe Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

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

### **Independence**

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

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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### **Reporting on other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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



# Daido Industrial Bearings Europe Limited

## *Strategic Report and Directors' Report*

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

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

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## **Responsibilities for the financial statements and the audit.**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

### *Auditors' responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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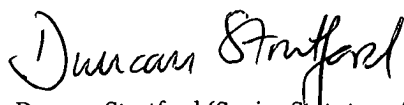
## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Duncan Stratford (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol  
29th April 2021

# Daido Industrial Bearings Europe Limited

## Profit and loss account

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Turnover</b>	3	12,266	11,682
Cost of sales		(7,853)	(7,970)
<b>Gross profit</b>		4,413	3,712
Administrative expenses		(4,903)	(5,070)
Other operating income		201	179
<b>Operating loss</b>		(289)	(1,179)
Finance costs	4	(243)	(219)
<b>Loss before taxation</b>	5	(532)	(1,398)
Tax on loss	9	-	-
<b>Loss for the financial year</b>		(532)	(1,398)

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

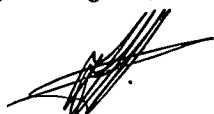
## Balance sheet

At 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Tangible assets	10	3,895	3,299
<b>Current assets</b>			
Stocks	11	5,672	4,645
Debtors	12	5,041	5,101
Cash at bank and in hand		953	315
		11,666	10,061
<b>Creditors: amounts falling due within one year</b>	13	(22,067)	(19,334)
<b>Net current liabilities</b>		(10,401)	(9,273)
<b>Total assets less current liabilities</b>		(6,506)	(5,974)
<b>Net liabilities</b>		(6,506)	(5,974)
<b>Capital and reserves</b>			
Called up share capital	17	13,500	13,500
Profit and loss account	17	(20,006)	(19,474)
<b>Total shareholders' deficit</b>		(6,506)	(5,974)

The financial statements of Daido Industrial Bearings Europe Limited (registered number 03616334) on pages 8 to 20 were approved by the Board of Directors and authorised for issue on 29<sup>th</sup> April 2021.

They were signed on its behalf by:



**M Hopkins**  
Director  
29<sup>th</sup> April 2021

## **Daido Industrial Bearings Europe Limited**

### **Statement of changes in equity** for the year ended 31 December 2019

	<b>Share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
At a January 2018	13,500	(18,076)	(4,576)
Loss for the financial year	-	(1,398)	(1,398)
At 1 January 2019	13,500	(19,474)	(5,974)
Loss for the financial year	-	(532)	(532)
<b>At 31 December 2019</b>	<u>13,500</u>	<u>(20,006)</u>	<u>(6,506)</u>

# **Daido Industrial Bearings Europe Limited**

## **Notes to the financial statements**

For the year ended 31 December 2019

### **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 private company limited by shares and is incorporated in the United Kingdom and registered in England under the Companies Act 2006. 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 on a going concern basis, under the historical cost convention 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.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

#### ***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 adopted the going concern basis in preparing the annual report and financial statements.

#### ***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 2019

### **1. Accounting policies (continued)**

#### ***Financial instruments (continued)***

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### ***(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 2019

### **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 2019

### **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 (2018: no impairment charge) has been made to administrative expenses in the year.

##### ***Stock provision***

The company manufactures plain bearings for medium speed diesel engines and static machinery and small turbos for use in automotive turbo chargers and is subject to changing market demands. As a result it is necessary to monitor the recoverability of the cost of stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods. See note 11 for the net amount of stock and associated provision.



# Daido Industrial Bearings Europe Limited

## Notes to the financial statements

For the year ended 31 December 2019

### 3. Turnover

Analysis of turnover by geographical market:

	2019 £'000	2018 £'000
United Kingdom	2,803	6,047
Europe	8,117	4,768
Asia	1,333	867
Rest of world	13	0
<b>Total turnover</b>	<b>12,266</b>	<b>11,682</b>

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

	2019 £'000	2018 £'000
Sale of goods	12,226	11,682

### 4. Finance costs

#### *Interest payable and similar charges*

	2019 £'000	2018 £'000
Bank loans and overdrafts	159	184
Group loans	84	35
	<b>243</b>	<b>219</b>

### 5. Loss before taxation

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

	2019 £'000	2018 £'000
Operating lease rentals	31	14
Depreciation on owned assets	231	173
Foreign exchange (gain) / loss	(19)	90
Stock cost recognised as an expense	4,151	5,435
Impairment / (provision release) of stock	208	(99)
Impairment of trade debtors	26	-

# Daido Industrial Bearings Europe Limited

## Notes to the financial statements

For the year ended 31 December 2019

### 6. Auditors' remuneration

	2019 £'000	2018 £'000
Fees payable to the company's auditors and their associates:		
- audit of the company's annual financial statements	41	32
- taxation compliance services	9	6
<b>Total fees</b>	<b>50</b>	<b>38</b>

### 7. Staff numbers and costs

	2019 Number	2018 Number
The average monthly number of employees (including executive directors) was:		
Management and other staff	75	65
Production	95	92
	<b>170</b>	<b>157</b>
	2019 £'000	2018 £'000
Their aggregate remuneration comprised:		
Wages and salaries	5,096	4,610
Social security costs	512	435
Other pension costs (see note 17)	253	214
	<b>5,861</b>	<b>5,259</b>

### 8. Directors' remuneration

	2019 £'000	2018 £'000
Emoluments	123	114
Company contributions to defined contribution pension scheme	3	2
	<b>126</b>	<b>116</b>
	2019 £'000	2018 £'000
Remuneration of the highest paid director was:		
Emoluments	93	86
Company contributions to defined contribution pension scheme	3	2
	<b>96</b>	<b>88</b>
	2019 Number	2018 Number
The number of directors who:		
Are members of a defined contribution pension scheme	1	1

# Daido Industrial Bearings Europe Limited

## Notes to the financial statements

For the year ended 31 December 2019

### 9. Tax on loss

The tax charge comprises:

	2019 £'000	2018 £'000
<b>Current tax on loss</b>		
UK corporation tax	-	-

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:

	2019 £'000	2018 £'000
<b>Loss before taxation</b>	(532)	(1,398)
	2019 £'000	2018 £'000
Tax on loss before taxation at a standard rate of 19.00 % (2018: 19%)	(101)	(266)
Effects of:		
- Expenses not deductible for tax purposes	23	24
- Prior year adjustment in deferred tax asset not recognized	-	25
- Current year movement in deferred tax asset not recognized	78	(275)
- Group relief surrendered	-	492
<b>Total tax charge for financial year</b>	-	-

A reduction in the UK corporation tax rate from 19% to 17% was substantively enacted in September 2016 to be effective from 1 April 2020. In March 2020 a further change was substantively enacted to retain the rate at 19% from 1 April 2020. As this change was after the balance sheet date deferred tax balances have been measured at a rate of 17% in these financial statements. The tax rate of 19% for the current year is the same as the previous year. 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 2019 in relation to unused tax losses and capital allowances of £1,132,251, at 17% (2018: £1,060,780 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 2019

### 10. Tangible assets

	Freehold land and buildings £'000	Fixtures and fittings £'000	Plant and machinery £'000	Assets in the course of construction £'000	Total £'000
<b>Cost or valuation</b>					
At 1 January 2019	3,850	631	19,014	441	23,936
Additions	-	25	209	593	827
Transfers	-	-	199	(199)	-
At 31 December 2019	3,850	656	19,422	835	24,763
<b>Accumulated depreciation</b>					
At 1 January 2019	1,688	513	18,436	-	20,637
Charge for the year	98	29	104	-	231
At 31 December 2019	1,786	542	18,540	-	20,868
<b>Net book value</b>					
<b>At 31 December 2019</b>	2,064	114	882	835	3,895
At 31 December 2018	2,162	118	578	441	3,299

### 11. Stocks

	2019 £'000	2018 £'000
Raw materials and consumables	2,573	2,119
Work in progress	1,539	1,493
Finished goods and goods for resale	1,560	1,033
Stocks are stated after provision for impairment of £1,039,079 ( 2018 £ 956,322)	5,672	4,645

### 12. Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade debtors	105	204
Amounts owed by group undertakings	4,807	4,844
Prepayments and accrued income	129	53
	5,041	5,101

Trade debtors are stated after provision for impairment of £26,000 (2018:£ nil).

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 2019

### 13. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loans	13,600	13,400
Trade creditors	824	1,369
Amounts owed to group undertakings	6,344	3,911
Other taxation and social security	397	239
Accruals and deferred income	902	415
	<u>22,067</u>	<u>19,334</u>

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

### 14. Borrowings

	2019 £'000	2018 £'000
The bank loan is repayable as follows:		
- within one year or on demand	13,600	13,400
- one to two years	-	-
	<u>13,600</u>	<u>13,400</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.

### 15. Operating lease commitments

	2019 £'000	2018 £'000
Obligations under non-cancellable operating leases are as follows:		
- within one year	45	51
- within one to five years	137	154
	<u>182</u>	<u>205</u>

### 16. Called up share capital and reserves

	2019 £'000	2018 £'000
<b>Allotted, called up and fully paid</b>		
'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 account represents cumulative profits or losses net of dividends paid and other adjustments.

## **Daido Industrial Bearings Europe Limited**

### **Notes to the financial statements**

For the year ended 31 December 2019

#### **17. 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 year ended 31 December 2019 was £252,000 (2018: £214,000). At the yearend unpaid pension contributions, included in accruals, were £66,173 (2018: £nil).

#### **18. Related party transactions**

By virtue of being a wholly-owned subsidiary the company has taken the exemption from disclosing transactions with other wholly owned group entities,

#### **19. 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 the immediate parent undertaking and 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 Nagoya Hirokoji Building, 2-3-1 Sakae Naka-ku Nagoya, 460-0008, Japan.

#### **20. Post Balance Sheet Events**

The impact of COVID 19 is an non-adjusting post balance sheet event and through the period of the pandemic the company has been able to maintain production. The company has made use of the furlough scheme to reduce labour costs as customer demand reduced by 20% in 2020 and 2021. This has enabled the company to continue to perform to revised budget levels and with the continued support of the Daido Metal Co., Ltd group the company is well positioned to get through this challenging period. The review of markets shows that demand is expected to return to pre Covid levels in 2022.

The business has found BREXIT to have limited impact to the business as management actions were in place for all changes to processes and procedures.