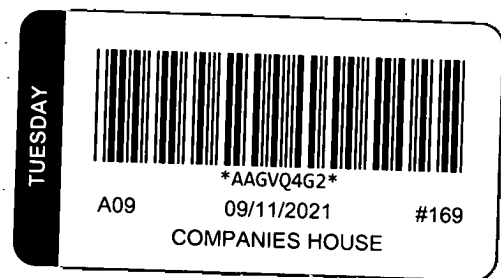


Registered number: 03616334

Daido Industrial Bearings Europe Limited

Annual report and financial statements

for the year ended 31 December 2020



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 3LT

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 2020, the business environment was impacted by the global pandemic which slowed demand. This caused a reduction in turnover of 21% to £9,699,000 (2019: £12,266,000). The company continued to report a loss before taxation of £1,222,000 (2019: £532,000) as the level of gross profit remained lower than administrative expenses. The company did receive £435,000 from the Government Coronavirus Job Retention Scheme for employees placed on Furlough between March to December 2020.

At the year end, the company had net liabilities of £7,728,000 (2019: £6,506,000).

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 2020 although at a slower pace for two quarters. The impact to the three priority KPIs in 2020 was as follows:

	2020	2019
Annual sales (decrease)/increase	(20.9)%	5.0%
Gross profit margin	27.1%	36.0%

Sales were impacted by COVID 19 as all sectors slowed. It is expected however that sales will return to pre COVID 19 levels by 2022 as the company is seeing an improvement in customer confidence and a gradual recovery in the market.

Meanwhile the gross profit margin has decreased due to increase in raw material costs and a poorer mix of sales.

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

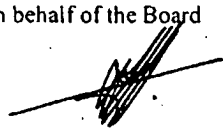
Competitive environment

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
3 November 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 2020.

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 cannot recommend the payment of a dividend nil (2019: £nil).

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements, except as noted, were as follows:

K Shoda

S Asai (appointed 26 March 2020)

T Ichihashi

M Hopkins

N Kurita

N Green (resigned 1 September 2020)

N Hiramatsu (resigned 26 March 2020)

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 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
3 November 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, 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 the 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

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 2020 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 2020; the profit and loss account and 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.

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.

Conclusions relating to going concern

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

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2020 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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Daido Industrial Bearings Europe Limited

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to those of a direct impact on the financial statements such as financial reporting, UK taxation legislation and compliance with the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting unusual journal entries to increase revenue and profits or the manipulation of accounting estimates which could be subject to management bias. Audit procedures performed by the engagement team included:

- Confirmation and enquiry of management and those charged with governance over compliance with financial reporting and taxation legislation, including consideration of actual or potential litigation and claims.
- Reviewing relevant minutes of director board meetings.
- Evaluation of management's controls designed to prevent and detect irregularities, in particular the whistleblowing policy and employee code of conduct.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to stock provisioning and potential impairment of tangible assets.
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Identifying and testing journal entries, in particular any entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. 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.

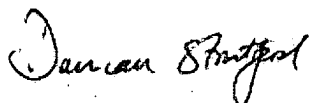
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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
4 November 2021

Daido Industrial Bearings Europe Limited

Profit and loss account

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	3	9,699	12,266
Cost of sales		<u>(7,066)</u>	<u>(7,853)</u>
Gross profit		2,633	4,413
Administrative expenses		(4,291)	(4,903)
Other operating income		<u>627</u>	<u>201</u>
Operating loss		(1,031)	(289)
Finance costs	4	<u>(191)</u>	<u>(243)</u>
Loss before taxation	5	(1,222)	(532)
Tax on loss	9	<u>-</u>	<u>-</u>
Loss for the financial year		<u><u>(1,222)</u></u>	<u><u>(532)</u></u>

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 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	10	<u>3,928</u>	<u>3,895</u>
Current assets			
Stocks	11	5,140	5,672
Debtors	12	1,607	5,041
Cash at bank and in hand		<u>1,532</u>	<u>953</u>
		8,279	11,666
Creditors: amounts falling due within one year	13	<u>(19,935)</u>	<u>(22,067)</u>
Net current liabilities		<u>(11,656)</u>	<u>(10,401)</u>
Total assets less current liabilities		<u>(7,728)</u>	<u>(6,506)</u>
Net liabilities		<u>(7,728)</u>	<u>(6,506)</u>
Capital and reserves			
Called up share capital	16	13,500	13,500
Profit and loss account	16	<u>(21,228)</u>	<u>(20,006)</u>
Total shareholders' deficit		<u>(7,728)</u>	<u>(6,506)</u>

The financial statements of Daido Industrial Bearings Europe Limited (registered number 03616334) on pages 9 to 21 were approved by the Board of Directors and authorised for issue on 3 November 2021.

They were signed on its behalf by:



M Hopkins
Director
3 November 2021

Daido Industrial Bearings Europe Limited

Statement of changes in equity for the year ended 31 December 2020

	Share capital £'000	Profit and loss account £'000	Total £'000
At a January 2019	13,500	(19,474)	(5,974)
Loss for the financial year	-	(532)	(532)
At 31 December 2019 and 1 January 2020	13,500	(20,006)	(6,506)
Loss for the financial year		(1,222)	(1,222)
At 31 December 2020	<u>13,500</u>	<u>(21,228)</u>	<u>(7,728)</u>

Daido Industrial Bearings Europe Limited

Notes to the financial statements

For the year ended 31 December 2020

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, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') issued by the Financial Reporting Council and in accordance with the Companies Act 2006.

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.

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

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of 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 2020

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 2020

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 2020

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 (2019: 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 2020

3. Turnover

Analysis of turnover by geographical market:

	2020 £'000	2019 £'000
United Kingdom	1,633	2,803
Europe	6,290	8,117
Asia	1,736	1,333
Rest of world	40	13
Total turnover	9,699	12,266

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

	2020 £'000	2019 £'000
Sale of goods	9,699	12,266

4. Finance costs

Interest payable and similar charges

	2020 £'000	2019 £'000
Bank loans and overdrafts	89	159
Group loans	102	84
	191	243

5. Loss before taxation

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

	2020 £'000	2019 £'000
Operating lease rentals	40	31
Depreciation on owned assets	271	231
Foreign exchange loss/(gain)	2	(19)
Stock cost recognised as an expense	2,916	4,151
Impairment of stock	470	208
Impairment of trade debtors	-	26
Government grants (see below)	(435)	-

The government grants of £435,000 (2019: £nil) relate to the Coronavirus Job Retention Scheme (CJRS) which the Company received during the year and have been disclosed within other operating income in accordance with FRS 102.

Daido Industrial Bearings Europe Limited

Notes to the financial statements

For the year ended 31 December 2020

6. Auditors' remuneration

	2020 £'000	2019 £'000
Fees payable to the company's auditors and their associates:		
- audit of the company's annual financial statements	65	41
- taxation compliance services	10	9
Total fees	75	50

7. Staff numbers and costs

	2020 Number	2019 Number
The average monthly number of employees (including executive directors) was:		
Management and other staff	72	75
Production	90	95
	162	170

	2020 £'000	2019 £'000
Their aggregate remuneration comprised:		
Wages and salaries	4,636	5,096
Social security costs	521	512
Other pension costs (see note 17)	246	253
	5,403	5,861

8. Directors' remuneration

	2020 £'000	2019 £'000
Emoluments	169	123
Company contributions to defined contribution pension scheme	4	3

	2020 £'000	2019 £'000
Remuneration of the highest paid director was:		
Emoluments	95	93
Company contributions to defined contribution pension scheme	4	3

	2020 Number	2019 Number
The number of directors who:		
Are members of a defined contribution pension scheme	2	1

Daido Industrial Bearings Europe Limited

Notes to the financial statements

For the year ended 31 December 2020

9. Tax on loss

The tax charge comprises:

	2020 £'000	2019 £'000
Current tax on loss		
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:

	2020 £'000	2019 £'000
Loss before taxation	(1,222)	(532)
	2020 £'000	2019 £'000
Tax on loss before taxation at a standard rate of 19.00 % (2019: 19%)	(232)	(101)
Effects of:		
- Expenses not deductible for tax purposes	27	23
- Current year movement in deferred tax asset not recognized	205	78
Total tax charge for financial year		

The tax rate of 19% for the current year is the same as the previous year. In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

In the Spring Budget 2021, the Government announced that from 1 April 2023, the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Deferred tax

There is no provision for deferred tax (2019: £nil).

The company has an unprovided deferred tax asset as at 31 December 2020 in relation to unused tax losses and capital allowances of £1,470,000 at 19% (2019: £1,132,000 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 2020

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
Cost or valuation					
At 1 January 2020	3,850	656	19,422	835	24,763
Additions	-	3	-	301	304
Transfers	-	-	536	(536)	-
At 31 December 2020	3,850	659	19,958	600	25,067
Accumulated depreciation					
At 1 January 2020	1,786	542	18,540	-	20,868
Charge for the year	105	26	140	-	271
At 31 December 2020	1,891	568	18,680	-	21,139
Net book value					
At 31 December 2020	1,959	91	1,278	600	3,928
At 31 December 2019	2,064	114	882	835	3,895

11. Stocks

	2020 £'000	2019 £'000
Raw materials and consumables	1,950	2,573
Work in progress	1,240	1,539
Finished goods and goods for resale	1,950	1,560
	5,140	5,672

Stocks are stated after provision for impairment of £1,299,377 (2019 £1,039,079).

12. Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	81	105
Amounts owed by group undertakings	1,304	4,807
Prepayments and accrued income	222	129
	1,607	5,041

Trade debtors are stated after provision for impairment of £26,000 (2019 £26,000).

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 2020

13. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans and overdrafts	-	13,600
Trade creditors	340	824
Amounts owed to group undertakings	19,148	6,344
Other taxation and social security	172	397
Accruals and deferred income	275	902
	<u>19,935</u>	<u>22,067</u>

Amounts owed to group undertakings are unsecured, with £19,000,000 (2019: £nil) of the balance bearing interest at 0.68% and being a 12 month revolving facility repayable on 30 September 2021, with the remaining amount being non-interest bearing and repayable on demand. Subsequent to the year end the £19,000,000 revolving credit facility was renewed for a further 12 months to 30 September 2022.

14. Borrowings

	2020 £'000	2019 £'000
The bank loan is repayable as follows:		
- within one year or on demand	-	13,600
	<u>-</u>	<u>13,600</u>

The bank loan was replaced by an intercompany loan on 30 September 2020. The bank loan was secured on the freehold land and buildings and by a fixed and floating charge over all of the company's assets. Interest was charged on the loan at 1.75% above base rate.

15. Operating lease commitments

	2020 £'000	2019 £'000
Obligations under non-cancellable operating leases are as follows:		
- within one year	26	45
- within one to five years	101	137
	<u>127</u>	<u>182</u>

16. Called up share capital and reserves

	2020 £'000	2019 £'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 account represents cumulative profits or losses net of dividends paid and other adjustments.

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Notes to the financial statements

For the year ended 31 December 2020

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 2020 was £246,000 (2019: £253,000). At the yearend unpaid pension contributions, included in accruals, were £34,179 (2019: £66,173).

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