

NSK Europe Limited and subsidiary undertakings
Annual report and accounts
for the year ended 31 December 2001

Registered Number 2223191



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NSK Europe Limited and subsidiary undertakings

Directors' report for the year ended 31 December 2001

The directors present their annual report on the affairs of the Group, together with the accounts and independent auditors' report for the year ended 31 December 2001.

Principal activity and business review

The principal activity of the Group is to manufacture and sell standard, special and precision bearings and components to the automotive and engineering industries in the United Kingdom and overseas and to provide related management and financial services to NSK Ltd. group companies in Europe and South Africa.

The Group's trading is predominantly within Europe and on 1 January 2001, the Company adopted the Euro as its functional currency. The accounts have been prepared using the Euro and comparative amounts for 2000 have been restated.

Group trade during 2001 reflected the economic trends in Europe. Sales for the year were €733 million (2000: €592 million). Prospects for the business in 2002 are closely allied to any general improvements in the major economies of Europe and the value of the pound sterling against the Euro.

On 1 January 2001, the Company purchased the remaining 70% of the share capital of NSK Spain SA and 100% of the share capital of NSK France SA, NSK Italia SpA, NSK Netherlands bv (formerly NSK-RHP Nederland bv) and NSK Europa Holding GmbH from the ultimate holding company, NSK Ltd.

On 1 March 2001 the Company purchased 7,751 additional shares of NSK Iskra SA from existing minority shareholders. A further purchase was made on 6 April 2001 of 3,516 shares. On 12 June 2001, NSK Iskra SA issued 18,731,200 new shares to the Company in satisfaction of loan indebtedness. A further 234,421 new shares were issued in exchange for assets transferred to NSK Iskra SA.

On 1 December 2001 the subsidiary company, NSK Bearings Europe Limited, sold its Aerospace Division to a fellow group undertaking NSK Aerospace Europe Limited, which is a wholly owned subsidiary of NSK Ltd., at book value.

On 31 January 2002, the Company transferred its 100% shareholding in NSK Steering Systems Europe Limited to the ultimate holding company NSK Ltd. The results of NSK Steering Systems Europe Limited are disclosed in the consolidated profit and loss account for the year ended 31 December 2001 as discontinued operations in accordance with FRS 3.

On 19 March 2002 the entire share capital of the company was transferred from NSK Ltd. to NSK Overseas Holding Company Ltd. NSK Ltd. remains the ultimate holding company.

On 30 April 2002 NSK Ltd. sold 75.01% of the shares in NSK Aerospace Europe Limited to SKF Investments Limited to form a joint venture company. On 30 April 2002 NSK Aerospace Europe Limited changed its name to Aero Engine Bearings UK Limited.

Research and development continues to play a vital role in the Group's success. The Group is engaged in research and development activities designed to develop new products, improve quality and performance and to maintain and improve product competitiveness and profitability.

The Group has a well-established Environmental Policy, setting out its Environmental Objectives and Commitment to progress towards Environmental Excellence. The emphasis is on continuous improvement of Environmental Performance, utilising Total Quality Management as the key methodological tool. The philosophy underpinning this approach is one of "Cradle-to-Grave" focus. This entails influencing suppliers and sub-contractors to adopt sound Environmental Management practices, working on an Environmental Partnership basis with our customers and taking account of Environmental Impacts throughout the total life-cycle of our product range.

NSK Europe Limited and subsidiary undertakings

Directors' report for the year ended 31 December 2001 (continued)

Results and dividends

The Group loss for the year was €52,909,000 (2000: €82,240,000). No dividend is recommended.

Directors and their interests

The directors of the company who served during the year and up to the date of the report are as shown below:

T Sekiya*
S Asaka (resigned 1 May 2001, re-appointed 1 October 2001*)
M Degawa (appointed 1 May 2001)
S Kosaka* (resigned 1 October 2001)
H Takada* (resigned 1 October 2001)
Y Saito (resigned 22 January 2002)
I Terao* (appointed 1 October 2001)
L McPherson (appointed 1 January 2002)

**resident in Japan*

The directors do not have any interests in the shares of the Company required to be disclosed under the Companies Act 1985. No director had directly or indirectly an interest in any contract with the Company.

Charitable donations

During the year the Group made charitable donations of €10,000 (2000: €19,000).

Disabled persons

During the year the Group has given full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities.

Where people become disabled during the course of their employment, every effort is made to retain their services and to provide retraining if necessary. All employees are eligible for consideration for appropriate training, career development and promotional opportunities and disabled people are not treated any differently in this respect.

Employee involvement

The Group is actively committed to employee involvement and during the year has kept employees as fully informed as possible with regard to the Group's performance and prospects and has sought their views and suggestions, wherever practical, on matters which particularly affect them as employees.

NSK Europe Limited and subsidiary undertakings

Directors' report for the year ended 31 December 2001 (continued)

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The directors will place a resolution before the annual general meeting to re-appoint PricewaterhouseCoopers as auditors for the ensuing year.

By order of the Board



R J Knowler
Secretary

20 June 2002

Registered Office:

Belmont Place
Belmont Road
Maidenhead
Berkshire
SL6 6TB

NSK Europe Limited and subsidiary undertakings

Independent auditors' report to the members of NSK Europe Limited

We have audited the financial statements on pages 4 to 40.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

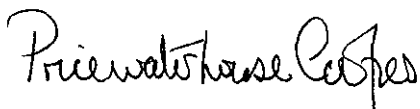
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2001 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham
20 June 2002

NSK Europe Limited and subsidiary undertakings

Consolidated profit and loss account for the year ended 31 December 2001

	Notes	Continuing operations 2001 €'000	Acquisitions 2001 €'000 (Note 10)	Discontinued operations 2001 €'000 (Note 10)	Total 2001 €'000	Total 2000 Restated €'000
Turnover: Group and share of joint venture	2	173,235	393,850	166,036	733,121	593,723
Less: share of joint venture turnover	2	-	-	-	-	(2,047)
Group turnover	2	173,235	393,850	166,036	733,121	591,676
Cost of sales		(130,579)	(361,537)	(174,661)	(666,777)	(548,176)
Gross profit		42,656	32,313	(8,625)	66,344	43,500
Distribution costs		(15,501)	(4,701)	(2,394)	(22,596)	(12,977)
Administrative expenses		(87,259)	(17,431)	(15,428)	(120,118)	(87,455)
Other operating expenses		(14,851)	438	(3,012)	(17,425)	(10,897)
Group operating loss		(74,955)	10,619	(29,459)	(93,795)	(67,829)
Share of operating profit/(loss) in:						
Joint venture					-	(203)
Associates					279	733
Loss on ordinary activities before interest					(93,516)	(67,299)
Group interest receivable and similar income	3				7,893	6,567
Waiver of finance debts due to the parent company					65,450	-
Group interest payable and similar charges	4				(31,911)	(22,362)
Share of interest payable of joint venture					-	(25)
Loss on ordinary activities before taxation	5				(52,084)	(83,119)
Tax on loss on ordinary activities	7				(2,000)	127
Loss on ordinary activities after taxation					(54,084)	(82,992)
Minority interest	19				1,175	752
Loss after minority interest	18				(52,909)	(82,240)

A statement of movements in reserves is given in note 18.

In each financial year, there is no material difference between the loss for the financial year and the respective historical cost equivalent.

The accompanying notes are an integral part of this consolidated profit and loss account.

NSK Europe Limited and subsidiary undertakings

Consolidated statement of total recognised gains and losses for the year ended 31 December 2001

	2001	2000
		Restated
	€'000	€'000
Loss for the financial year	(52,909)	(82,240)
Gain on foreign currency translation	2,595	363
Total recognised losses relating to the year	(50,314)	(81,877)

NSK Europe Limited and subsidiary undertakings

Consolidated balance sheet as at 31 December 2001

	Notes	2001 €'000	2000 Restated €'000
Fixed assets			
Goodwill	11	14,034	17,898
Less: Negative goodwill	11	(6,695)	-
		7,339	17,898
Tangible assets	9	275,584	246,897
Investments in associates	10	2,068	3,267
Other investments		16	35
		285,007	268,097
Current assets			
Stocks	12	178,738	180,287
Debtors	13	180,929	187,298
Cash at bank and in hand		32,497	115,647
		392,164	483,232
Creditors: amounts falling due within one year	14	(506,151)	(569,779)
Net current liabilities		(113,987)	(86,547)
Total assets less current liabilities		171,020	181,550
Creditors: amounts falling due after more than one year	15	(48,902)	(19,263)
Provisions for liabilities and charges	16	(21,804)	(13,715)
Net assets		100,314	148,572
Capital and reserves			
Called-up share capital	17	269,722	269,722
Revaluation reserve	18	4,014	4,896
Merger reserve	18	24,597	24,597
Profit and loss account	18	(200,359)	(150,927)
Shareholder's funds – all equity	20	97,974	148,288
Minority interest – all equity	19	2,340	284
Total capital employed		100,314	148,572

Signed on behalf of the Board on 20 June 2002

M Degawa  Director

The accompanying notes are an integral part of this consolidated balance sheet.

NSK Europe Limited and subsidiary undertakings

Company balance sheet as at 31 December 2001

	Notes	2001 €'000	2000 Restated €'000
Fixed assets			
Tangible assets	9	20,279	21,149
Investments	10	270,632	212,755
		290,911	233,904
Current assets			
Stocks	12	90,408	100,808
Debtors : falling due within one year	13	75,565	188,596
: falling due after more than one year	13	48,362	4,673
Cash at bank and in hand		37,857	65,483
		252,192	359,560
Creditors: amounts falling due within one year	14	(349,383)	(401,976)
Net current liabilities		(97,191)	(42,416)
Total assets less current liabilities		193,720	191,488
Creditors: amounts falling due after more than one year	15	(36,007)	(8,852)
Provisions for liabilities and charges	16	(2,411)	(1,372)
Net assets		155,302	181,264
Capital and reserves			
Called-up share capital	17	269,722	269,722
Profit and loss account	18	(114,420)	(88,458)
Shareholder's funds – all equity		155,302	181,264

Signed on behalf of the Board on 20 June 2002

M Degawa  Director

The accompanying notes are an integral part of this Company balance sheet.

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

FRS18, "Accounting Policies", issued in December 2000, requires the Board to consider whether the accounting policies adopted in the financial statements are those judged to be the most appropriate to the Group's circumstances, are reviewed regularly and changed as appropriate. Having reviewed the Group's accounting policies, the Board are satisfied that they are the most appropriate.

A summary of the significant accounting policies and estimation techniques are listed below.

Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The Group's trading is predominantly within Europe and on 1 January 2001, the Company adopted the Euro as its functional currency. The accounts have been prepared using the Euro and comparative amounts for 2000 have been restated. The exchange rate of the euro to sterling at 31 December 2001 was 1.6346.

Basis of consolidation

The Group accounts consolidate the accounts of NSK Europe Limited and its subsidiary undertakings, all of which have year-ends of 31 December.

Acquisitions are accounted for under the acquisition method. The results of subsidiaries acquired or sold during the period are consolidated from the date control passes or to the date of disposal.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its estimated useful economic life. Provision is made for any impairment. Where negative goodwill arises in relation to an acquisition, it is capitalised and written back to profit and loss account over the periods which are expected to benefit.

Goodwill which arose on acquisitions in the year ended 31 December 1997 and earlier periods was written off against a reserve for goodwill as permitted by the accounting standards then in force. Goodwill within this reserve was appropriated to the profit and loss account reserve over a period of 20 years. Goodwill previously written off to this reserve has not been reinstated in the balance sheet as permitted by FRS 10.

Turnover

Turnover, which arises wholly from the Group's principal activity of the manufacture and sale of bearings and components, represents the invoiced value of goods and services sold, exclusive of value added tax. Net income arising from commissions and other recharges is included within other operating income.

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Once an asset has been brought into use its cost, less estimated residual value, is written off in equal instalments over its expected useful life. Assets are written off over the following periods:

Freehold land	-	not depreciated
Freehold buildings	-	between 18 and 50 years
Leasehold land and buildings	-	greater of 2% or term of lease
Short leasehold property	-	over period of lease
Plant and machinery	-	between 3 and 15 years
Fixtures and fittings	-	between 3 and 10 years
Motor vehicles	-	4 years

Residual value is calculated on prices prevailing at the date of acquisition.

Investments

In the Company's accounts, investments in subsidiary undertakings are stated at cost less amounts written off and provision for impairment. Only dividends received and receivable are credited to the Company's profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value. Where stocks are purchased from abroad, cost includes all expenses of importation and delivery to the Group's premises. Where stocks are manufactured by the Group, cost includes materials, labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated normal selling prices less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items where appropriate.

Foreign currency

In the accounts of individual undertakings, transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rate as of the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

The results of operations whose accounts are not drawn up in the functional currency of the Company are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are dealt with through reserves.

An exchange rate of 1.5866 has been applied to restate the results for the year ended 31 December 2000.

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

1 Accounting policies (continued)

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

The taxation liabilities of certain Group companies are reduced wholly or in part by the surrender of losses by fellow Group companies. The tax benefits or charges arising from the group relief are recognised in the accounts of the surrendering or recipient companies.

Deferred taxation (which arises from differences in the timing of the recognition of items in the accounts and by the tax authorities), has been calculated on the liability method. Deferred tax is provided on timing differences which are expected to reverse in the foreseeable future, at the rates likely to be in force at the time of the reversal.

Pension schemes

The Group is party to an arrangement whereby three externally managed defined benefit pension schemes are operated for the majority of its United Kingdom employees. A further scheme is operated in Poland providing one-off retirement bonuses for employees. The pension costs are assessed in accordance with the advice from an independent qualified actuary and the amount charged to the profit and loss account is calculated so as to allocate the costs to the Group over the average expected remaining working lives of the participating employees. Differences between the amounts charged to the profit and loss account and amounts funded or paid directly to members of unfunded schemes are shown as either provisions or prepayments in the balance sheet.

Leases

The Group enters into operating leases. Rentals under operating leases are charged on a straight-line basis over the lease term.

Assets held under finance leases are accounted for as purchases. Consequently, when such a leasing agreement is entered into, the fixed assets and the related obligations are included in the balance sheet at the fair value of the asset. The fixed assets are depreciated over the shorter of the lease term and their useful economic lives. Periodic lease payments are accounted for in the appropriate proportions as repayments of capital and interest which is charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of the capital repayments outstanding.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Research and development

Research and development expenditure is written off in the year of expenditure.

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

1 Accounting policies (continued)

Associates and joint ventures

The associates are entities in which the Group has a participating interest and over whose operating and financial policies it exercises a significant influence.

In the Group accounts, investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of associates' profits less losses, while the Group's share of the net assets of the associates is shown in the consolidated balance sheet. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates. Joint ventures are similarly accounted for in accordance with FRS 9.

Revaluation reserve

Until 31 December 1999, certain land and buildings were revalued, in accordance with the accounting standards then in force. Revaluation surpluses arising on the revaluation of individual fixed assets were credited to a non-distributable reserve known as the revaluation reserve. Revaluation deficits in excess of the amount of prior revaluation surpluses on the same asset were charged to the profit and loss account. Where depreciation charges are increased following a revaluation, an amount equal to this increase is transferred annually from this reserve to the profit and loss account as a reserve movement.

The Group elected to adopt the transitional provisions of FRS15 and therefore the valuation at 31 December 1999 will not be updated in future years.

Related party transactions

The company is a wholly owned subsidiary of NSK Ltd. (Japan) and has taken advantage of the exemptions of FRS 8 which allow non-disclosure of all intragroup transactions which are eliminated on consolidation as the consolidated accounts of its parent are publicly available.

Cash flows

A statement of cash flows has not been prepared on the basis that NSK Europe Limited is a wholly owned subsidiary of NSK Ltd. whose consolidated accounts are publicly available.

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

2 Turnover

	2001	2000
	€'000	Restated €'000
Turnover by destination is as follows:		
Group		
United Kingdom	151,379	144,941
Rest of Europe	544,614	384,068
Rest of World	37,128	62,667
	733,121	591,676
Share of joint venture's turnover:		
United Kingdom	-	1,054
Rest of Europe	-	979
Rest of World	-	14
	-	2,047
Total turnover: Group and share of joint venture	733,121	593,723

Turnover arose wholly in relation to the Group's principal activity.

In the opinion of the directors, the disclosure of segmental information relating to the geographical origin of results and net assets would be seriously prejudicial to the interests of the Group and has therefore not been provided.

3 Interest receivable and similar income

	2001	2000
	€'000	Restated €'000
Interest receivable and similar income	7,893	6,567

4 Interest payable and similar charges

	2001	2000
	€'000	Restated €'000
Bank loans and overdrafts		
- repayable within five years, by instalments	6,122	889
- repayable within five years, not by instalments	22,411	18,439
Loans from NSK Ltd. group undertakings	2,242	1,752
Finance lease interest	1,136	1,282
	31,911	22,362

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

5 Loss on ordinary activities before taxation

	2001	2000
		Restated
	€000	€000
Staff costs (Note 6)	195,899	172,782
Depreciation and amounts written off tangible fixed assets		
- depreciation on owned assets	30,288	49,597
- on assets held under finance leases and hire purchase contracts	2,620	3,935
- impairment of assets	3,309	-
Reorganisation costs	20,064	12,609
Early retirement and severance costs	818	3,967
Research and development costs	5,235	4,855
Amortisation of goodwill	5,643	6,626
Government grant amortisation	(241)	(555)
Operating lease rentals		
- plant and machinery	353	160
- other	6,885	2,355
Rent receivable	(956)	(83)
Auditors' remuneration for audit services	736	365

Reorganisation costs relate to the reorganisation of the European Group structure.

Early retirement and severance are costs other than those specifically arising as a result of the reorganisation.

Amounts payable to PricewaterhouseCoopers and their associates by the Company and its subsidiary undertakings in respect of non-audit services were €572,000 (2000: €936,000).

Auditors' remuneration for audit services in respect of the Company was €59,000 (2000: €59,000).

6 Staff costs

The average monthly number of employees (including executive directors) was:

	2001	2000
	Number	Number
UK	2,838	3,382
Overseas	3,556	2,984
	6,394	6,366

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

6 Staff costs (continued)

	2001	2000
		Restated
	€000	€000
Their aggregate remuneration comprised:		
Wages and salaries	158,340	140,534
Social security costs	19,582	13,485
Other pension costs	8,328	7,979
Other labour costs	9,649	10,784
	195,899	172,782

Other labour costs are the Japanese delegate management fees.

Directors' remuneration

Remuneration

Directors' remuneration - emoluments paid in respect of directors of the Group totalling €384,000 (2000: €714,000).

Pensions

None of the directors were members of the Company's defined benefit pension schemes.

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2001	2000
		Restated
	€'000	€'000
Emoluments	190	485

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

7 Tax on loss on ordinary activities

The tax charge/(credit) is based on the loss for the year and comprises:

	2001	2000
		Restated
	€'000	€'000
Overseas tax	1,981	32
Deferred tax	34	(17)
	<hr/> 2,015	<hr/> 15
Adjustments in respect of prior years		
- current taxation	(2)	-
- deferred taxation	(13)	(142)
	<hr/> 2,000	<hr/> (127)

8 Parent company profit and loss account

The Company has taken advantage of the exemption in the Companies Act 1985 Section 230 not to present its own profit and loss account. The Company's loss for the financial year, determined in accordance with the Act, was €25,962,000 (2000: €43,996,000).

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

9 Tangible fixed assets

Group	Land and buildings €'000	Assets in progress €'000	Plant and machinery €'000	Fixtures fittings and motor vehicles €'000	Total €'000
Cost					
Beginning of year	102,615	36,649	301,081	24,107	464,452
Companies acquired from NSK Ltd.	24,004	87	15,747	13,575	53,413
Additions	6,381	29,939	12,942	3,008	52,270
Exchange movement	5,659	1,909	18,801	664	27,033
Transfers	1,807	(41,922)	29,576	10,539	-
Disposals	(10,230)	-	(26,474)	(1,108)	(37,812)
End of year	130,236	26,662	351,673	50,785	559,356
Depreciation					
Beginning of year	21,370	-	179,105	17,080	217,555
Companies acquired from NSK Ltd.	9,194	-	13,383	10,565	33,142
Exchange movement	2,333	-	15,132	596	18,061
Charge for the year	2,760	-	25,418	4,730	32,908
Impairment of assets	1,433	-	712	1,164	3,309
Transfers	(2,018)	-	(1,167)	3,185	-
Disposals	(2,356)	-	(18,111)	(736)	(21,203)
End of year	32,716	-	214,472	36,584	283,772
Net book value					
End of year	97,520	26,662	137,201	14,201	275,584
Beginning of year	81,245	36,649	121,976	7,027	246,897

The net book value of land and buildings comprises €97,170,000 (2000: €78,029,000) which is freehold and €350,000 (2000: €3,216,000) which is short leasehold.

Land and buildings include assets under finance leases with a net book value of €8,263,000 (2000: €9,764,000). Assets in progress include assets under finance leases with a net book value of €nil (2000: €81,000). Plant and Machinery include assets under finance leases with a net book value of €2,884,000 (2000: €7,006,000). Fixtures and fittings include assets under finance leases with a net book value of €294,000 (2000: €884,000).

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

9 Tangible fixed assets (continued)

Company	Land and buildings €000	Assets in progress €'000	Plant and machinery €'000	Fixtures fittings and motor vehicles €'000	Total €'000
Cost					
Beginning of year	15,008	4,452	579	10,082	30,121
Additions	-	1,865	22	970	2,857
Transfers	-	(5,438)	-	5,438	-
Disposals	-	(30)	-	(23)	(53)
End of year	15,008	849	601	16,467	32,925
Depreciation					
Beginning of year	2,602	-	309	6,061	8,972
Charge for the year	388	-	83	2,051	2,522
Impairment of assets	-	-	-	1,164	1,164
Disposals	-	-	-	(12)	(12)
End of year	2,990	-	392	9,264	12,646
Net book value					
End of year	12,018	849	209	7,203	20,279
Beginning of year	12,406	4,452	270	4,021	21,149

The net book value of land and buildings comprises €11,694,000 (2000: €12,252,000) which is freehold and €324,000 (2000: €154,000) which is short leasehold.

Land and buildings include assets under finance leases with a net book value of €6,287,000 (2000: €6,702,000). Plant and machinery include assets under finance leases with a net book value of €11,000 (2000: €13,000). Fixtures and fittings include assets under finance leases with a net book value of €305,000 (2000: €884,000).

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

10 Fixed asset investments

The Company and Group have investments in the following subsidiary undertakings and associates:

	Country of incorporation	Principal activity	Proportion of ordinary shares held %
Subsidiary undertakings			
NSK UK Limited	England and Wales	Sales	100
NSK Spain SA	Spain	Sales	100
NSK Italia Spa	Italy	Sales	100
NSK France SA	France	Sales	100
NSK Netherlands bv (formerly NSK-RHP Nederland bv)	Netherlands	Non-trading	100
NSK Europa Holding GmbH	Germany	Sales	100
NSK Deutschland GmbH *	Germany	Sales	100
NEUWEG Fertigung GmbH *	Germany	Sales	100
NSK Bearings Europe Limited	England and Wales	Manufacturing	100
NSK Bearings Limited	England and Wales	Manufacturing	100
RHP Bearings Europe Limited	England and Wales	Non-trading	100
NSK European Distribution Centre bv (formerly NSK-RHP European Distribution Centre bv)	Netherlands	Distribution	100
NSK Steering Systems Europe Limited	England and Wales	Manufacturing	100
NSK Steering Systems Europe (UK) Limited	England and Wales	Non-trading	100
NSK European Technology Co Limited	England and Wales	Research	100
NSK South Africa (Pty) Limited	South Africa	Sales	100
Waelzlager Industriewerke Bulle A.G.	Switzerland	Manufacturing	100
NSK Bearings Middle East Trading Co. Limited	Turkey	Sales	100
NSK Iskra Holding Sp. Z.O.O	Poland	Non-trading	100
NSK Iskra SA	Poland	Manufacturing	93.19
Iskra Zaklad Maszyni Lozysk Specjalnych Sp.Z.O.O†	Poland	Research	100
Iskra Zaklad Budowlano – Montazowey Sp.Z.O.O†	Poland	Food, recreation & travel services	100
Iskra Zaklad Usług Socjalnych Sp.Z.O.O†	Poland	Manufacturing	100
Iskra Zaklady precyzyjne Sp.Z.O.O†	Poland	Manufacturing	100
Iskra Centrum Narzedzi Specjalnych Sp.Z.O.O†	Poland	Manufacturing	100
NSK Steering Systems Europe (Polska) Sp.Z.O.O**	Poland	Non-trading	100
Associates			
Industria Cuscinetti SpA	Italy	Manufacturing	36.19

* Held directly by NSK Europa Holding GmbH

** Held directly by NSK Steering Systems Europe (UK) Limited

† Held directly by NSK Iskra SA

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

10 Fixed asset investments (continued)

	Group €'000	Company €'000
Subsidiary undertakings		
Beginning of year	-	208,293
Additions	-	59,283
End of year	-	267,576
Associates		
Beginning of year	3,267	4,462
Transferred to subsidiary undertakings	(1,383)	(1,406)
Share of profits retained	279	-
Amortisation of acquisition goodwill	(95)	-
End of year	2,068	3,056
Total investments: Subsidiary undertakings and Associates	2,068	270,632

The Company has investments in three principal subsidiaries (being NSK Iskra SA, NSK Steering Systems Europe Limited and NSK Bearings Limited) where the carrying value of these investments significantly exceeds the underlying net asset value of the related subsidiary undertakings. The directors have satisfied themselves that no potential impairment exists in relation to these investments from a review of their value in use based on expected future discounted cash flows.

On 1 January 2001, the Company purchased the remaining 70% of the share capital of NSK Spain SA and 100% of the share capital of NSK France SA, NSK Italia SpA, NSK Netherlands bv (formerly NSK-RHP Nederland bv) and NSK Europa Holding GmbH from the ultimate holding company, NSK Ltd.

On 1 March 2001 the Company purchased 7,751 additional shares of NSK Iskra SA from existing minority shareholders. A further purchase was made on 6 April 2001 of 3,516 shares. On 12 June 2001, NSK Iskra SA issued 18,731,200 new shares to the Company in satisfaction of loan indebtedness. A further 234,421 new shares were issued in exchange for assets transferred to NSK Iskra SA.

On 1 December 2001 the subsidiary company, NSK Bearings Europe Limited, sold its Aerospace Division to a fellow group undertaking NSK Aerospace Europe Limited, which is a wholly owned subsidiary of NSK Ltd.

On 31 January 2002, the Company transferred its 100% shareholding in NSK Steering Systems Europe Limited to the ultimate holding company NSK Ltd. The results of NSK Steering Systems Europe Limited are disclosed in the consolidated profit and loss account for the year ended 31 December 2001 as discontinued operations in accordance with FRS 3.

On 30 April 2002 NSK Ltd. sold 75.01% of the shares in NSK Aerospace Europe Limited to SKF Investments Limited to form a joint venture company. On 30 April 2002 NSK Aerospace Europe Limited changed its name to Aero Engine Bearings UK Limited.

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

11 Goodwill

	Goodwill €'000	Negative goodwill €'000	Net Goodwill €'000
Cost			
Beginning of year	33,133	-	33,133
Additions (Note 22)	3,453	(8,369)	(4,916)
End of year	36,586	(8,369)	28,217
Amortisation			
Beginning of year	15,235	-	15,235
Charge/(credit) to the profit and loss account	7,317	(1,674)	5,643
End of year	22,552	(1,674)	20,878
Net book value			
End of year	14,034	(6,695)	7,339
Beginning of year - Restated	17,898	-	17,898

12 Stocks

	Group		Company	
	2001	2000	2001	2000
		Restated		Restated
	€'000	€'000	€'000	€'000
Raw materials and stores	37,316	39,486	-	-
Work in progress	23,322	27,897	-	-
Finished goods and goods for resale	118,100	112,904	90,408	100,808
	178,738	180,287	90,408	100,808

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

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

13 Debtors

	Group		Company	
	2001	2000	2001	2000
		Restated		Restated
	€'000	€'000	€'000	€'000
Amounts falling due within one year:				
Trade debtors	141,453	47,719	289	1,347
Amounts owed by subsidiary undertakings	-	-	56,571	66,085
Amounts owed by other group undertakings	3,212	82,632	-	78,610
Amounts owed by associated undertakings	-	38,340	-	38,134
Overseas tax	2,541	-	-	-
Other debtors	20,551	11,242	9,296	3,665
Prepayments and accrued income	11,884	6,169	9,409	755
Pension prepayment	1,121	1,196	-	-
	180,762	187,298	75,565	188,596
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	48,362	4,673
Other debtors	167	-	-	-
	167	-	48,362	4,673
Total debtors	180,929	187,298	123,927	193,269

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

14 Creditors: amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
		Restated		Restated
	€'000	€'000	€'000	€'000
Obligations under finance leases	9,382	497	9,019	403
Bank overdrafts	6,989	112,539	11,456	-
Bank loans	332,220	166,035	264,990	154,766
Trade creditors	46,672	35,903	4,781	1,772
Amounts owed to subsidiary undertakings	-	-	26,457	80,966
Amounts owed to other group undertakings	73,170	212,495	25,508	151,888
Amounts owed to associated undertakings	113	122	113	122
Overseas tax	772	-	-	-
Taxation and social security	5,506	4,243	-	-
Other creditors	30,761	37,315	7,012	12,000
Pensions creditor	566	630	47	59
	506,151	569,779	349,383	401,976

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2001	2000	2001	2000
		Restated		Restated
	€'000	€'000	€'000	€'000
Obligations under finance leases	8,155	17,356	7	8,852
Medium term bank loans	2,094	1,907	-	-
Amounts owed to subsidiary undertakings	-	-	-	-
Amounts owed to other group undertakings	36,000	-	36,000	-
Other creditors	2,653	-	-	-
	48,902	19,263	36,007	8,852
<i>Obligations under finance leases</i>				
Amounts payable:				
- within one year	9,382	497	9,019	403
- between two and five years	1,490	8,768	7	8,852
- after five years	6,665	8,588	-	-
	17,537	17,853	9,026	9,255
Falling due within one year	9,382	497	9,019	403
Falling due after more than one year	8,155	17,356	7	8,852
	17,537	17,853	9,026	9,255

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

15 Creditors: Amounts falling due after more than one year (continued)

Bank loans

At 31 December 2001 the Group had various unsecured euro loans totalling €251,782,000 (2000: €73,671,000) which bear interest at commercial rates in the range of 3.9% to 13.37% and various unsecured sterling or currency loans totalling €80,172,000 (2000: €88,531,000) which bear interest at commercial rates in the range of 1.6125% to 14.5%. The Group also had euro loans of €199,000 (2000: €3,838,000) which are secured on land and buildings of NSK Europa Holding GmbH., and other currency loans of €2,161,000 (2000: €1,902,000) secured on land and buildings, plant and machinery of Waelzlager Industriewerke Bulle A.G.

At 31 December 2001 the Company had various unsecured euro loans totalling €216,999,000 (2000: €67,988,000) which bear interest at commercial rates in the range of 3.9% to 5.095% and various unsecured sterling or currency loans totalling €47,991,000 (2000: €86,778,000) which bear interest at commercial rates in the range 1.6125% to 14.5%.

The bank loans are repayable as follows:

	Group		Company	
	2001	2000 Restated	2001	2000 Restated
	€'000	€'000	€'000	€'000
Within one year	332,220	166,035	264,990	154,766
Between two and five years	165	1,907	-	-
After five years	1,929	-	-	-
	334,314	167,942	264,990	154,766

16 Provisions for liabilities and charges

	Group		Company	
	2001	2000 Restated	2001	2000 Restated
	€'000	€'000	€'000	€'000
Deferred tax	131	24	-	-
Reorganisation provisions	10,168	4,349	2,411	1,372
Other employee liabilities	11,090	9,293	-	-
Other	415	49	-	-
	21,804	13,715	2,411	1,372

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

16 Provisions for liabilities and charges (continued)

Deferred tax:

	Group		Company	
	2001	2000 Restated	2001	2000 Restated
	€'000	€'000	€'000	€'000
Beginning of year	24	182	-	-
Companies acquired	86	-	-	-
Charged/(credited) to profit and loss account	21	(158)	-	-
End of year	131	24	-	-

Deferred tax provided:

	Group		Company	
	2001	2000 Restated	2001	2000 Restated
	€'000	€'000	€'000	€'000
Accelerated capital allowances	11,956	10,586	-	-
Other short term timing differences	131	(1,774)	-	-
Effect of losses carried forward	(11,956)	(8,788)	-	-
	131	24	-	-

Deferred tax unprovided:

	Group		Company	
	2001	2000 Restated	2001	2000 Restated
	€'000	€'000	€'000	€'000
Accelerated capital allowances	408	10,005	-	-
Other short term timing differences	(94)	243	-	-
Effect of losses carried forward	(9,624)	(901)	-	-
	(9,310)	9,347	-	-

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

16 Provisions for liabilities and charges (continued)

Reorganisation provision

	Group		Company	
	2001	2000 Restated	2001	2000 Restated
	€'000	€'000	€'000	€'000
Beginning of year	4,349	7,725	1,372	-
Companies acquired	51	-	-	-
Charged to profit and loss account	20,064	4,349	3,949	1,372
Currency translation	160	-	-	-
Utilised in the year	(14,456)	(7,725)	(2,910)	-
End of year	10,168	4,349	2,411	1,372

Other employee liabilities

	Group		Company	
	2001	2000 Restated	2001	2000 Restated
	€'000	€'000	€'000	€'000
Beginning of year	9,293	9,334	-	-
Companies acquired	1,628	-	-	-
Charged to profit and loss account	818	1,675	-	-
Currency translation	978	-	-	-
Utilised in the year	(1,627)	(1,716)	-	-
End of year	11,090	9,293	-	-

The Reorganisation provision relates to the reorganisation of the European Group structure. Other employee liabilities include early retirement and severance costs other than those specifically arising as a result of the reorganisation.

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

16 Provisions for liabilities and charges (continued)

Other provisions

	Group		Company	
	2001	2000 Restated	2001	2000 Restated
	€'000	€'000	€'000	€'000
Beginning of year	49	-	-	-
Companies acquired	415	-	-	-
Charged to profit and loss account	-	49	-	-
Utilised in the year	(49)	-	-	-
End of year	415	49	-	-

17 Called up share capital

	2001	2000 Restated
	€'000	€'000
Authorised		
Ordinary shares of £1 each	396,650	396,650
Allotted, called-up and fully paid		
Ordinary shares of £1 each	269,722	269,722

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

18 Reserves

Group	Revaluation reserve €'000	Merger reserve €'000	Profit and loss account €'000	Total €'000
Beginning of year	4,896	24,597	(150,927)	(121,434)
Loss for the financial year	-	-	(52,909)	(52,909)
Gain on foreign currency translation	100	-	2,495	2,595
Revaluation transfer	(982)	-	982	-
End of year	4,014	24,597	(200,359)	(171,748)

Company	Profit and loss account €'000
Beginning of year	(88,458)
Loss for the financial year	(25,962)
End of year	(114,420)

The cumulative amount of goodwill written off against the Group's reserves, net of goodwill relating to undertakings disposed of, is €15,544,000 (2000: €15,544,000).

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

19 Minority interest

	€'000
Beginning of year	284
Transfer to cost of investment	3,405
Loss for the financial year	(1,175)
Loss on foreign currency translation	(174)
End of year	2,340

The transfer to the cost of investment represents the proportion of the value of new share capital issues attributable to the minority interest.

20 Reconciliation of movements in group shareholder's funds

	2001	2000
		Restated
	€'000	€'000
Opening shareholder's funds	148,288	78,835
Loss for the financial year	(52,909)	(82,240)
Gain on foreign currency translation	2,595	363
Share issue	-	151,330
Closing shareholder's funds	97,974	148,288

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

21 Guarantees and other financial commitments

Capital commitments

	Group		Company	
	2001	2000 Restated	2001	2000 Restated
	€'000	€'000	€'000	€'000
Contracted but not provided for	1,122	4,587	-	-

Lease commitments

The minimum commitment for the next year in respect of non-cancellable operating leases analysed by expiry date is as follows:

Land and buildings	Group		Company	
	2001	2000 Restated	2001	2000 Restated
	€'000	€'000	€'000	€'000
Within one year	516	968	-	-
Between two and five years	-	2,983	-	-
After five years	1,159	2,539	81	79
	1,675	6,490	81	79

Other leases	Group		Company	
	2001	2000 Restated	2001	2000 Restated
	€'000	€'000	€'000	€'000
Within one year	933	738	157	68
Between two and five years	2,968	2,059	774	949
	3,901	2,797	931	1,017

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

21 Guarantees and other financial commitments (continued)

Contingent liabilities

Bank guarantees	Group		Company	
	2001	2000 Restated	2001	2000 Restated
	€'000	€'000	€'000	€'000
Bank guarantees	7,176	3,015	1,143	-

Additionally, the Company is party to a Group cross guarantee arrangement relating to fellow subsidiary undertakings of NSK Europe Limited operating in the United Kingdom. At 31 December 2001 the Company's maximum potential liability under the cross guarantee amounted to €4,409,000 (2000: €71,797,000).

Pension arrangements

The Group is party to four principal schemes operating for certain employees. These are the NSK Pension Scheme ("NSK Scheme"), the NSK Bearings Europe Limited Retirement and Death Benefits Plan ("Bearings Scheme"), the NSK Steering Systems Europe Limited Retirement Benefits Scheme ("NSSE Scheme") and the NSK Iskra SA One-off Retirement Bonus ("Iskra Scheme"). All four are defined benefit schemes, the assets of which are held in separate funds with the exception of the Iskra scheme where there are no scheme assets.

The total pension cost for the Group during the year was €8,328,000 (2000: €7,979,000). The pension cost relating to the schemes is assessed in accordance with the advice of a qualified actuary on the basis of valuations using the projected unit method.

The results of the latest actuarial valuations of the schemes are as follows:

	NSK Scheme	Bearings Scheme	NSSE Scheme	Iskra Scheme
Date of latest actuarial valuation	31 August 1999	30 April 2000	6 April 1999	-
Market value of assets	€187,826,000	€40,225,000	€34,417,000	-
Asset value as percentage of accrued benefits	101%	98%	103%	-

Assumptions having significant effect on the results of the valuations:

Investment return per annum	8%	7%	7%	-
	Reducing to 5% after retirement			
Rate of increases in pensionable salaries	6%	4.25%	5%	-
Rate of increases in pensions in payment	3.5%	3%	3%	-

A prepayment of €1,121,000 (2000: €1,196,000) is included in debtors in relation to the Bearings scheme, this being the excess of the actual contributions paid over the accumulated pension cost.

A provision of €566,000 (2000: €630,000) is included in creditors in relation to the NSK scheme, and a provision of €2,328,000 (2000: €2,147,000) is included in provisions for liabilities and charges in relation to the Iskra scheme, these being the excess of the accumulated pension costs over the amount funded.

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

21 Guarantees and other financial commitments (continued)

Pension arrangements (continued)

Information relating to the pension schemes as at 31 December 2001 in accordance with the disclosure requirements of FRS17 is as follows:

	NSK Scheme €'000	Bearings Scheme €'000	NSSE Scheme €'000	Iskra Scheme €'000	Total €'000
Market value of Scheme assets	168,736	39,978	36,200	-	244,914
Present value of Scheme liabilities	193,074	54,528	41,788	2,774	292,164
Pension shortfall	24,338	14,550	5,588	2,774	47,250

In accordance with the recommendations of SSAP15, the potential deferred tax asset related to the above deficits has not been recognised.

	NSK Scheme % per annum	Bearings Scheme % per annum	NSSE Scheme % per annum	Iskra Scheme % per annum
Major assumptions used:				
Rate of increase in salaries	4	4	4.5	3.5
Rate of increase in pension payment	2 to 2.5	3	2.5 to 3	-
Discount rate	6	6	5.83	6
Inflation assumption	2.5	2.5	2.5	3

Expected rates of return on Scheme assets

	NSK Scheme % per annum	Bearings Scheme % per annum	NSSE Scheme % per annum	Iskra Scheme % per annum
Equities	7.5	7.5	7	-
Bonds	6	6	5.75	-
Property	-	7.5	-	-
Cash	-	6	5	-

If the above pension shortfall was recognised in the financial statements, the Group net assets and profit and loss account at 31 December 2001 would be as follows:

	€'000
Net assets before pension shortfall	100,314
Reversal of SSAP24 prepayment	(1,121)
Reversal of SSAP24 provision	2,894
Pension shortfall	(47,250)
Net assets after pension shortfall	54,837
Profit and loss account – debit balance before pension shortfall	(200,359)
Reversal of SSAP24 prepayment	(1,121)
Reversal of SSAP24 provision	2,894
Pension shortfall	(47,250)
Profit and loss account – debit balance after pension shortfall	(245,836)

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

22 Acquisitions

On 1 January 2001 the Company acquired, from NSK Ltd, the remaining ordinary share capital of NSK Spain SA increasing its holding from 30% to 100%. On the same date, the Group also acquired from NSK Ltd 100% of the share capital of NSK France SA, NSK Italia SpA, NSK Netherlands bv (formerly NSK-RHP Nederland bv) and NSK Europa Holding GmbH. During the year the Company also acquired further shares in NSK Iskra SA, increasing its shareholding from 88.06% to 93.19%. The above acquisitions have been accounted for using acquisition accounting.

The acquisitions have been consolidated into the Group balance sheet as follows:

<i>Acquisition of remaining share capital of NSK Spain SA</i>	Book value at acquisition €'000	Fair value adjustments €'000	Fair value to Group €'000
Fixed assets			
Tangible assets	88	-	88
Current assets			
Debtors	29,388	-	29,388
Cash	598	-	598
Total assets	30,074	-	30,074
Creditors: amounts falling due within one year	(27,711)	-	(27,711)
Creditors: amounts falling due after more than one year	-	-	-
Total liabilities	(27,711)	-	(27,711)
Net assets	2,363	-	2,363
Negative goodwill			2,163
Total			200
Cash consideration			200

The profit after taxation of NSK Spain SA for the year ended 31 December 2000 was €1,716,000.

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

22 Acquisitions (continued)

<i>Acquisition of NSK France SA</i>	Book value at acquisition €'000	Fair value adjustments €'000	Fair value to Group €'000
Fixed assets			
Tangible assets	4,048	-	4,048
Current assets			
Debtors	27,252	-	27,252
Cash	1,223	-	1,223
Total assets	32,523	-	32,523
Creditors: amounts falling due within one year	(28,004)	-	(28,004)
Creditors: amounts falling due after more than one year	(2,889)	-	(2,889)
Total liabilities	(30,893)	-	(30,893)
Net assets	1,630	-	1,630
Negative goodwill			1,630
Total			-
Cash consideration			-

The profit after taxation of NSK France SA for the year ended 31 December 2000 was €712,000.

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

22 Acquisitions (continued)

<i>Acquisition of NSK Italia SpA</i>	Book value at acquisition €'000	Revaluation €'000	Fair value to Group €'000
Fixed assets			
Tangible assets	1,242	728	1,970
Current assets			
Stocks	-	-	-
Debtors	34,779	-	34,779
Cash	928	-	928
Total assets	36,949	728	37,677
Creditors: amounts falling due within one year	(33,548)	-	(33,548)
Creditors: amounts falling due after more than one year	(948)	-	(948)
Total liabilities	(34,496)	-	(34,496)
Net assets	2,453	728	3,181
Negative goodwill			757
Total			2,424
Cash consideration			2,424

The loss after taxation of NSK Italia SpA for the year ended 31 December 2000 was €1,679,000.

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

22 Acquisitions (continued)

<i>Acquisition of NSK Netherlands bv (formerly NSK-RHP Nederland bv)</i>	Book value at acquisition €'000	Fair value adjustments €'000	Fair value to Group €'000
Fixed assets			
Tangible assets	90	-	90
Current assets			
Stocks	-	-	-
Debtors	3,921	-	3,921
Cash	1,712	-	1,712
Total assets	5,723	-	5,723
Creditors: amounts falling due within one year	(3,384)	-	(3,384)
Creditors: amounts falling due after more than one year	(16)	-	(16)
Total liabilities	(3,400)	-	(3,400)
Net assets	2,323	-	2,323
Goodwill			11
Total			2,334
Cash consideration			2,334

The profit after taxation of NSK Netherlands bv (formerly NSK-RHP Nederland bv) for the year ended 31 December 2000 was €515,000.

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

22 Acquisitions (continued)

<i>Acquisition of NSK Europa Holding GmbH</i>	Book value at acquisition €'000	Revaluation €'000	Fair value to Group €'000
Fixed assets			
Tangible assets	12,987	1,088	14,075
Current assets			
Stocks	3,915	-	3,915
Debtors	31,716	-	31,716
Cash	12,284	-	12,284
Total assets	60,902	1,088	61,990
Creditors: amounts falling due within one year	(56,876)	-	(56,876)
Creditors: amounts falling due after more than one year	(1,295)	-	(1,295)
Total liabilities	(58,171)	-	(58,171)
Net assets	2,731	1,088	3,819
Negative goodwill			3,819
Total			-
Cash consideration			-

The profit after taxation of NSK Europa Holding GmbH for the year ended 31 December 2000 was €9,559,000.

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

22 Acquisitions (continued)

<i>Increased shareholding in NSK Iskra SA</i>	Book value at acquisition €'000	Fair value adjustments €'000	Fair value to Group €'000
Fixed assets			
Tangible assets	3,533	-	3,533
Current assets			
Stocks	988	-	988
Debtors	815	-	815
Cash	63	-	63
Total assets	5,399	-	5,399
Creditors: amounts falling due within one year	(4,231)	-	(4,231)
Creditors: amounts falling due after more than one year	(578)	-	(578)
Total liabilities	(4,809)	-	(4,809)
Net assets	590	-	590
Goodwill			3,442
Total			4,032
Consideration paid			50,442
Less reduction in indebtedness			46,410
Net consideration			4,032

The above table represents the book values and fair values of the identifiable assets and liabilities as at 30 June 2001. The principal purchases occurred on 12 June 2001 and there was no significant difference in the net asset value of the company between these two dates.

NSK Europe Limited and subsidiary undertakings

Notes to the financial statements for the year ended 31 December 2001 (continued)

23 Subsequent events

On 31 January 2002, the Company transferred its 100% shareholding in NSK Steering Systems Europe Limited to the ultimate holding company NSK Ltd. The results of NSK Steering Systems Europe Limited are disclosed in the consolidated profit and loss account for the year ended 31 December 2001 as discontinued operations in accordance with FRS 3.

24 Related party transactions

During the year the Group purchased goods to the value of €2,060,000 (2000: €9,172,000) from Industria Cuscinetti SpA, a 36.19% (2000: 36.19%) owned associate. At 31 December 2001 the Group had an outstanding liability with Industria Cuscinetti SpA of €113,000 (2000: €2,348,000).

25 Going concern

The ultimate parent company, NSK Ltd., has confirmed that it will provide sufficient finance to NSK Europe Limited so as to enable it, in the course of normal business, to meet its liabilities as they fall due and carry on its business without curtailment of its operations for the foreseeable future.

26 Ultimate parent company

The Company was a subsidiary undertaking of NSK Ltd., incorporated in Japan. On 19 March 2002 the entire share capital of the company was transferred from NSK Ltd. to NSK Overseas Holding Company Ltd, incorporated in Japan. The ultimate parent undertaking continues to be NSK Ltd.

The only group of which NSK Europe Limited was a member for the year ended 31 December 2001 and for which group accounts are drawn up is that headed by NSK Ltd., whose principal place of business is Nissei Building, 1-6-3 Ohsaki, Shinagawa-ku, Tokyo 141-8560, Japan. The consolidated accounts of this group are available to the public, and may be obtained from the address set out above.