SKF (U.K.) LIMITED

REGISTRATION NO. 107367

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2013

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their annual report on the affairs of the Company, together with the audited financial statements and independent auditors' report, for the year ended 31 December 2013.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

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

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

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

Employee consultation

Each Business Unit operates a formal Team Briefing or regular monthly meeting with staff to communicate news and information regarding the development of their Business Unit. Further information is available on the SKF Group Intranet, UK Portal. A meeting takes place three times a year with representatives from the Unite Union. Factory Managers and the Managing Director discuss any matters of Union concern, consult on forthcoming matters and share financial information in relation to the Company. The Factory Managers have regular communications meetings with the union representatives and production employees. Sales Business Unit Heads meet bi-monthly to share and communicate information and feed back to their teams. Total Company results are published internally on a quarterly basis to the Business Units Heads for communication with their teams.

Employees are made aware of any important changes to legislation or matters which will affect them through webex presentations and face to face meetings. During 2013 this would have included the Equality Act and the Bribery Act. Information is then available on the SKF Group Intranet, UK Portal.

To involve staff further in the financial performance of the Company, a Short Term Variable Salary is run which is announced on a year by year basis. This rewards individuals based on the results of the relevant Business Unit and higher Business Unit. A Performance Management Programme is in place, which sets individual targets on an annual basis to support the business. Individual salary reviews are based on achievement of such targets.

Production Workers are part of Union negotiated Collective Agreement and may negotiate an element of business performance related pay award if they wish.

Disabled persons in common with all others are given full consideration in respect of selection, continued employment, training, career development and promotion. Company Policies exist which cover these areas and are available on the SKF Group Intranet, UK Portal.

DIRECTORS' REPORT (CONTINUED)

Directors

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

T B Bertilsson (Resigned 8 April 2013)
R J Law
S L Smith
P J Owen
R Makhija (Appointed 8 April 2013)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Financial Risk Management

The entity's financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used.

The entity's exposure to price risk, credit risk, liquidity risk and cash flow risk.

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

The Company had trade creditors at 31 December 2013 of 44.59 days (2012 - 47.16 days).

Research and Development

During 2013 the Company spent £5.7 million on research and development (2012 - £3.1 million).

Charitable donations

During 2013 the Company made charitable donations amounting to £11,395 (2012 - £14,332).

Independent Auditors

During the year KPMG LLP resigned as auditors and the Board took the decision to appoint PricewaterhouseCoopers LLP in their place.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the Annual General meeting.

DIRECTORS' REPORT (CONTINUED)

Approved by the board of Directors and signed on its behalf by:

SL Smith

S L Smith
Director

Sundon Park Road
Luton
Bedfordshire
LU3 3BL

25 September 2014

Principal activity

The Company's principal activity is the manufacture and sale of ball and roller bearings and related services.

Business Review and Future Prospects

The Company had a steady development of sales during 2013 as forecasted in the Business Plan. This resulted in turnover increasing by 6% but a decline in operating profit by 13%. The operating profit was impacted, in the main, by currency fluctuation without which, the profit would have increased in line with sales development.

As expected the uncertain business environment improved and the Company continued to take steps to support profitable growth. The Company remains in a strong financial position with focus placed on strengthening the SKF offering, cost reductions and capital efficiency.

Going forward into 2014, the demand is expected to be slightly higher for SKF's products and services.

On 1 January 2013, the Company acquired the trade and assets of a fellow subsidiary undertaking, Lincoln Industrial Limited, for a consideration equal to the net book value of the assets and liabilities acquired. Details are presented in note 22 to the financial statements.

The properties at Strode Road, Clevedon and Oldends Lane, Stonehouse were valued at 8 October 2013, giving and indicative existing use value of £1.7 million and £3.84 million respectively. However, within the financial statements the company has not revalued these assets upwards in line with its accounting policy as described in note 1.

Key performance indicators

The Company's key financial performance indicator is a simplified, economic value-added model called Total Value Added (TVA). This indicator promotes improved operating profit, working capital reduction and profitable growth. The calculation is the operating profit less the pre-tax cost of capital.

Total Value Added (TVA) KPI	Actual	Plan	Actual/Plan
2013	33,014	31,440	105.0%
2012	31,150	35,157	88.6%

Risks and uncertainties in the business

The Company operates in many different industrial and geographical segments that are at different stages of the economic cycle. A general economic downturn at global level, or in one of the world's leading economies, could reduce the demand for the Company's products, solutions and services for a period of time. In addition, terrorism and other hostilities, as well as disturbances in worldwide financial markets, could have a negative effect on the demand for the Company's products and services. There are also political and regulatory risks associated with the wide geographical business. Regulatory requirements, taxes, tariffs and other trade barriers, price or exchange controls or other governmental policies could limit the Company's operations.

The financial policy defines the main risks as being currency, interest rates, credit and liquidity and establishes responsibility and authority to manage these risks. The policy states that the objective is to minimise risk and to contribute to a better return through the active management of risks. The management of the risks and the responsibility for all treasury operations are centralised at the SKF Treasury Centre, Aktiebolaget SKF's internal bank.

STRATEGIC REPORT (CONTINUED)

Health, Safety and Environment

The Board takes very seriously the Health, Safety and Environmental issues of the Company. A member of the Board is appointed as Director Representative for Health & Safety. The Board ensures that management systems are in place for effective risk control. The Company has Health & Safety Committees who meet regularly and maintain effective communication with employees.

Results for the year

Total sales for the year amounted to £255.0 million (2012 - £240.0 million).

The profit for the year after taxation was £30.8 million (2012 - £38.7 million). The Company continues to control spend and operate good pricing policies within the market.

An interim dividend in respect of the year ended 31 December 2013 of £34.0 million (2012 - £28.5 million) was paid during the year. The directors do not recommend payment of a final ordinary dividend (2012 - £Nil).

Subsequent to the year end the directors have approved an interim ordinary dividend for the year ended 31 December 2014 of £33.0 million.

Approved by the board of Directors and signed on its behalf by:

SL Smith

S L Smith
Director

Sundon Park Road
Luton
Bedfordshire
LU3 3BL

25 September 2014

Report on financial statements

Our Opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by SKF (U.K.) Limited, comprise:

- The Balance sheet as at 31 December 2013;
- the Profit and Loss Account and Statement of Total Gains and Losses for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

R.P. Girdlestone

Robert Girdlestone (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
10 Bricket Road
St Albans
AL1 3JX

29 September 2014

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £000	2012 £000
TURNOVER		254,617	239,999
COST OF SALES		(196,375)	(176,535)
GROSS PROFIT		58,242	63,464
DISTRIBUTIONS COSTS		(3,443)	(3,299)
SELLING AND ADMINISTRATION EXPENSES		(11,410)	(10,238)
OPERATING PROFIT		43,389	49,927
INTEREST RECEIVABLE AND SIMILAR INCOME	3	318	369
INTEREST PAYABLE AND SIMILAR CHARGES	3	(1,434)	(2,074)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	42,273	48,222
TAX ON PROFIT ON ORDINARY ACTIVITIES	7	(11,482)	(9,491)
PROFIT FOR THE FINANCIAL YEAR		30,791	38,731

All amounts relate to continuing operations.

Notes on pages 11 to 32 form an integral part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £000	2012 £000
Profit for the financial year	30,791	38,731
Actuarial gains/(losses) recognised in the pension schemes:		
Main plan	1,947	(4,241)
Executives plan	722	115
Deferred tax (liability)/asset arising on losses and gains in the pension schemes:		
Main plan	(390)	975
Executives plan	(144)	(26)
Total recognised gains and losses	32,926	35,554

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £000	2012 £000
Reported profit on ordinary activities before taxation	42,273	48,222
Difference between a historical cost depreciation charge and the actual depreciation charge for the year	33	100
Historical cost profit on ordinary activities before taxation	42,306	48,322
Historical cost profit for the year after taxation	30,824	38,831

Registration Number 107367

BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	2013 £000	2012 £000
FIXED ASSETS			
Intangible assets	**9**	151	83
Tangible assets	**10**	17,702	16,669
Investments	**11**	3,584	2,372
		21,437	19,124
CURRENT ASSETS			
Stocks	**12**	18,936	16,468
Debtors	**13**	103,779	116,792
Cash at bank and in hand		4,979	4,483
		127,694	137,743
CREDITORS - Amounts falling due within one year	**14**	(43,910)	(46,124)
NET CURRENT ASSETS		83,784	91,619
TOTAL ASSETS LESS CURRENT LIABILITIES		105,221	110,743
NET ASSETS EXCLUDING PENSION LIABILITIES		105,221	110,743
PENSION LIABILITIES	**21**	(30,825)	(35,273)
NET ASSETS		74,396	75,470
CAPITAL AND RESERVES			
Called-up share capital	**16**	37,200	37,200
Share premium account	**17**	1,114	1,114
Revaluation reserve	**17**	1,035	1,068
Profit and loss account	**17**	35,047	36,088
TOTAL SHAREHOLDERS' FUNDS	**18**	74,396	75,470

The financial statements on pages 8 to 32 were approved by the board of Directors on 25 September 2014 and signed on its behalf by:

S L Smith

S L Smith
Director
25 September 2014

Notes on pages 11 to 32 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

1 STATEMENT OF ACCOUNTING POLICIES

Basis of accounting Companies Act 2006

The financial statements are prepared on the ongoing concern basis, under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with the companies Act 2006 and applicable accounting standards in the United Kingdom.

The principle accounting policies, which have been applied consistently throughout the year, the Company has taken advantage of the exemption from preparing consolidated financial statements offered by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Aktiebolaget SKF, a Company incorporated in Sweden, which prepares consolidated financial statements which are publicly available. Accordingly, these financial statements present information about the Company as an individual undertaking and not its group. The Company is also, on this basis, exempt from the requirements of FRS 1 to present a cash flow statement.

2012 Profit and Loss Account has been restated to comply with the correct headings under Companies Act 2006

Going Concern

The company's business activities, together with the factors likely to effect its future development and position, are set out in the Business Review section of the Strategic Report on pages 4 to 5. The company is expected to continue to generate positive cash flow on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

Intangible assets - patents and trademarks

Patents and trademarks are included at cost and depreciated in equal annual instalments over a period of 20 years which is their estimated useful economic life. Provision is made for any impairment.

Tangible fixed assets

Land and buildings are stated at original historical cost or subsequent valuation (see overleaf). Land is not depreciated. Other fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:-

Freehold buildings	3 % per annum
Plant and equipment	6 - 25 % per annum

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

The carrying amounts of the Company's tangible fixed assets are reviewed when an indication of such impairment exists. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Revaluation of properties

The Company has taken advantage of the transitional provisions of FRS 15 and retained the book amounts of certain freehold properties which were revalued prior to implementation of that standard.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

Investments

Fixed asset investments are shown at cost less provisions for impairment.

Stocks

Stocks are stated at the lower of cost, including appropriate overheads, and net realisable value. Provision is made for slow moving or obsolete items where appropriate.

Turnover

Turnover represents invoiced sales net of VAT, returns and allowances. Revenue is recognised on delivery of goods and services to the customer.

Leasing

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.

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 substantially enacted by the balance sheet date.

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

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

A net deferred tax asset is regarded as recoverable and therefore recognised only when, 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013 (CONTINUED)

1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Foreign currency

Transactions in foreign currency 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.

All exchange differences are included in the profit and loss account.

Pension costs

Details of the Company's pension schemes are shown in the notes to the financial statements.

The Company operates two defined benefit pension schemes for directors and other employees. The assets of the schemes are held separately from those of the Company. The pension costs are assessed in accordance with the advice of an independent qualified actuary and are charged to the profit and loss account so as to spread the costs over the expected remaining lives of employees. Both pension schemes are subject to full actuarial valuation every three years.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on long term gilts of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Research and development

The Company undertakes research and development expenditure in view of developing new products.

Expenditure in research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the profit and loss account when incurred.

Expenditure in development activities, whereby research findings are applied to a plan or design for the production of a new product, is capitalised if the new product is technically and commercially feasible and the Company has sufficient resources to complete development.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 TURNOVER

The Company mainly does business through its three business areas: SKF Industrial Market: Strategic Industries, SKF Industrial Market: Regional Sales and Service and SKF Automotive. The Company groups its technologies on five platforms: Bearings and Units, Seals, Mechatronics, Services and Lubrication Systems. A geographical analysis of turnover, profits and net assets is not provided as the directors consider that the disclosure of such information would seriously prejudice the interests of the Company.

3 FINANCE CHARGES

Interest Receivable and Similar Income	2013 £000	2012 £000
Income from fixed asset investments	299	287
Other interest receivable and similar income	19	82
	318	369

Interest Payable and Similar Charges

	2013 £000	2012 £000
Bank loans and overdrafts	45	41
Interest payable to fellow group companies	233	305
Financial expense in relation to pensions (see note 21)	1,152	1,728
Other interest payable and similar charges	4	-
	1,434	2,074

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging/(crediting) the following:

	2013 £000	2012 £000
Depreciation and amounts written off tangible fixed assets	1,999	2,081
Amortisation of intangible fixed assets	15	33
Research and development	5,717	3,059
Hire of plant and machinery	1,195	1,149
Hire of buildings	700	676
Auditors' remuneration for audit of these financial statements	40	70
Exchange loss/(gain)	584	(704)
(Profit)/Loss on disposal of tangible fixed assets	-	34

Amounts payable to PricewaterhouseCoopers LLP by the Company in respect of taxation advisory services were £16,000.

5 STAFF COSTS

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

	2013 Number	2012 Number
Production	616	606
Sales	131	132
Distribution	85	24
Administration	168	219
	1,000	981

Their aggregate remuneration comprised:

	2013 £000	2012 £000
Wages and salaries	38,579	37,827
Social security costs	3,389	3,237
Other pension costs (see note 21)	5,480	3,145
	47,448	44,209

6 DIRECTORS' REMUNERATION AND TRANSACTIONS

Remuneration

The remuneration of the directors was as follows:-

	2013 £000	2012 £000
Emoluments	606	520
Company contributions to pension scheme	180	168
	786	688

Pensions

The number of directors who were members of pension schemes was as follows:-

	2013 Number	2012 Number
Defined benefit schemes	3	3

Highest paid director

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

	2013 £000	2012 £000
Emoluments	355	353

The accrued pension benefit at 31 December 2013 of the highest paid director was £167,818 (2012 - £160,092).

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2013 £000	2012 £000
UK corporation tax		
Current year	(8,577)	(10,900)
Adjustment in respect of previous periods	(119)	163
	(8,696)	(10,737)
Deferred tax		
Current year movement	(490)	2,808
Deferred tax in relation to pensions	(2,296)	(1,562)
	(2,786)	1,246
Current tax charge for the year	(11,482)	(9,491)

The tax assessed for the year is lower (2012:lower) than the standard rate of corporation tax in the UK (2013: 23.25%; 2012: 24.5%)

Tax Reconciliation

	2013 £000	2012 £000
Profit on ordinary activities before tax	42,273	48,222
Tax at 23.25%/24.5% thereon	(9,828)	(11,814)
Expenses not deductible for tax purposes	956	(104)
Capital allowances in excess of depreciation	79	207
Movement in short term timing differences	14	819
Adjustment in respect of previous periods	(119)	163
Utilisation of loss carried forward	98	106
Tax credits - R&D	97	(110)
Other	7	(4)
Total current tax charge	(8,696)	(10,737)

Factors that may affect future current and total tax charges

The standard rate of UK corporation tax in the year changed from 24% to 23% with effect from 1 April 2013 and will change to 21% from 1 April 2014 and 20% from 1 April 2015. UK deferred tax is therefore recognised at the reduced rate of 20%.

8 DIVIDENDS

	2013 £000	2012 £000
Interim dividend paid of 91.4p (2012 76.6p) per ordinary share	34,000	28,500

Subsequent to the year end the directors have approved an interim ordinary dividend for the year ended 31 December 2014 of £33.0 million.

In accordance with FRS 21 "Events after balance sheet date", the dividends proposed but not declared at balance sheet date have not been recognised as a liability at that balance sheet date.

9 INTANGIBLE ASSETS

	Development Cost £000	Intellectual Property £000	Total £000
Cost or valuation			
At 1 January 2013	491	300	791
Additions	83	-	83
Disposals	(144)	-	(144)
At 31 December 2013	430	300	730
Amortisation			
At 1 January 2013	491	217	708
Charge for the year	-	15	15
Disposals	(144)	-	(144)
At 31 December 2013	347	232	579
Net book value			
At 31 December 2013	83	68	151
At 31 December 2012	-	83	83

10 TANGIBLE ASSETS

	Freehold Land and buildings £000	Plant and equipment £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 January 2013	16,873	52,911	2,122	71,906
Additions	45	2,396	594	3,035
Acquisitions	-	4	-	4
Transfers	227	1,448	(1,675)	-
Disposals	-	(864)	-	(864)
At 31 December 2013	17,145	55,895	1,041	74,081
Depreciation				
At 1 January 2013	9,079	46,158	-	55,237
Charge for the year	404	1,595	-	1,999
Disposals	-	(857)	-	(857)
At 31 December 2013	9,483	46,896	-	56,379
Net book value				
At 31 December 2013	7,662	8,999	1,041	17,702
At 31 December 2012	7,794	6,753	2,122	16,669

Freehold land and buildings would have been included on an historical cost basis at:

	2013 £000	2012 £000
Cost	14,324	14,079
Aggregate depreciation	(6,818)	(6,447)
Net book value	7,506	7,632

Freehold land amounting to £2,636,000 (2012 - £2,636,000) has not been depreciated.

11 INVESTMENTS

	Shares in group undertakings £000	Other investments (Unlisted) £000	Total £000
Cost			
At 1 January 2013	1,873	831	2,704
Additions	1,212	-	1,212
At 31 December 2013	3,085	831	3,916
Provision of impairment			
At 1 January 2013	332	-	332
At 31 December 2013	332	-	332
Net book value			
At 31 December 2013	2,753	831	3,584
At 31 December 2012	1,541	831	2,372

The directors believe that the carrying value of the investments is supported by their underlying net assets.

On 1 January 2013, the Company acquired 100% shareholding in Lincoln Industrial Limited for a total consideration of £1,212,000 from a group company. The trade and assets of Lincoln Industrial Limited was subsequently transferred to the company on 1 January 2013 (see note 22).

The impairment provision has been created following an impairment review performed by the directors.

The companies in which the Company has interest at the year end are as follows:

	Country of Incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
SKF Economos UK Limited	Great Britain	Dormant	Ordinary shares 100%
Lincoln Industrial Limited	Great Britain	Dormant	Ordinary shares 100%
Other investments			
SKF India Limited	India	Bearing manufacturer	Ordinary shares 6.45%

12 STOCKS

	2013 £000	2012 £000
Raw materials and consumables	4,848	3,987
Work in progress	10,023	9,490
Finished goods	4,065	2,991
	18,936	16,468

In the opinion of the directors the replacement cost of stocks does not differ materially from the balance sheet amounts

13 DEBTORS

	2013 £000	2012 £000
Amounts falling due within one year:		
Trade debtors	31,784	30,388
Deferred Tax Asset	2,002	2,492
Amounts owed by group undertakings	67,257	81,444
Other debtors	593	45
Prepayments and accrued income	2,143	2,423
	103,779	116,792

14 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £000	2012 £000
Trade creditors	6,159	6,716
Amounts owed to group undertakings	18,297	18,608
UK corporation tax payable	4,823	6,556
Other taxation and social security	768	798
Other creditors	4,222	3,549
Accruals and deferred income	9,641	9,897
	43,910	46,124

15 DEFERRED TAXATION

	2013 £000	2012 £000
At 1 January	(2,492)	316
Credited to the profit and loss account	490	(2,808)
At 31 December - asset	(2,002)	(2,492)

The elements of deferred taxation are as follows:

	2013 £000	2012 £000
Fixed asset timing differences	851	772
Changes in rate of taxation	300	-
Other timing differences including losses carried forward	(3,153)	(3,264)
Total deferred tax asset	(2,002)	(2,492)

The deferred tax asset of £3,242,000 relating to tax losses transferred on acquisition of Stonewind Limited were recognised in full during 2012. On analysis of past and forecasted profitability, the directors consider the recoverability to be probable.

16 CALLED UP SHARE CAPITAL

	2013 £000	2012 £000
Authorised, allotted, called-up and fully paid 37,200,000 ordinary shares of £1 each	37,200	37,200

17 RESERVES

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 2013	1,114	1,068	36,088	38,270
Profit for the year	-	-	30,791	30,791
Dividend in respect of current year	-	-	(34,000)	(34,000)
Transfer of reserves	-	(33)	33	-
Actuarial gain recognised in the pension schemes net of deferred tax	-	-	2,135	2,135
At 31 December 2013	1,114	1,035	35,047	37,196

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £000	2012 £000
Profit for the financial year	30,791	38,731
Dividends in respect of current year	(34,000)	(28,500)
Actuarial losses recognised in the pension schemes net of deferred tax	2,135	(3,177)
Net (decrease)/increase to shareholders' funds	(1,074)	7,054
Opening shareholders' funds	75,470	68,416
Closing shareholders' funds	74,396	75,470

19 LEASE OBLIGATIONS

At 31 December 2013 the Company had annual commitments under operating leases as follows:

	2013 Land and buildings £000	2013 Other £000	2012 Land and buildings £000	2012 Other £000
Expiry date:				
Within 1 year	76	115	58	187
Between two and five years	564	773	380	737
After 5 years	-	17	173	10
	640	905	611	934

20 CAPITAL COMMITMENTS

At 31 December 2013 capital expenditure contracts totalling £1,579,000 (2012 - £1,226,000) have been entered into but not provided for.

The Company has no contingent liabilities in respect of guaranteed loans of fellow SKF subsidiaries.

21 PENSION LIABILITIES

Pension Costs

The Company provides pension arrangements to the majority of full time employees through two defined benefit schemes, the Main plan and the Executive plan (closed to new entrants 1 November 2004), and a defined contribution scheme for employees joining the pension after 5 April 2012, when the Main plan was closed to new entrants.

Benefits provided under the defined contribution scheme are determined by reference to the contributions paid, which are immediately charged to the profit and loss account during the period. The cost of the contributions to the defined contribution scheme amounts to £685,000 (2012: £436,000). There were no outstanding or prepaid contributions (2012: £0).

The related costs of the defined benefit schemes are assessed in accordance with the advice of professionally qualified actuaries. The information disclosed below is in respect of the whole of the defined benefit plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

Main Plan

Reconciliation of fund status to balance sheet

	Main Plan 31 December 2013 £000	Main Plan 31 December 2012 £000	Main Plan 31 December 2011 £000
Present value of funded defined benefit obligations	(185,653)	(174,783)	(158,923)
Fair value of plan assets	151,304	134,345	120,199
Deficit	(34,349)	(40,438)	(38,724)
Related deferred tax assets	6,870	9,301	9,681
Net liability	(27,479)	(31,137)	(29,043)

Changes in the present value of liabilities during the year

	Main Plan 31 December 2013 £000	Main Plan 31 December 2012 £000	Main Plan 31 December 2011 £000
Liabilities at the start of the year	(174,783)	(158,923)	(139,529)
Current service cost	(4,651)	(4,298)	(5,132)
Interest cost	(7,479)	(7,445)	(7,542)
Actuarial gain/(loss) on liabilities due to experience	2,212	1,420	(1,164)
Actuarial loss on liabilities due to assumptions	(7,310)	(10,879)	(10,404)
Benefits paid	6,358	5,342	4,848
Liabilities at the end of the year	(185,653)	(174,783)	(158,923)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Main Plan (continued)

Changes in the fair values of assets during the year

	Main Plan 31 December 2013 £000	Main Plan 31 December 2012 £000	Main Plan 31 December 2011 £000
Fair value of assets at start of the year	134,345	120,199	113,701
Expected return on assets	6,477	5,951	6,791
Actuarial gain/(loss) on assets	7,045	5,218	(1,182)
Contributions by the Company	9,686	6,929	3,712
Contributions by the members	109	1,390	2,025
Benefits paid	(6,358)	(5,342)	(4,848)
Fair value of assets at end of year	151,304	134,345	120,199

Analysis of profit and loss charge

	Main Plan 31 December 2013 £000	Main Plan 31 December 2012 £000	Main Plan 31 December 2011 £000
Current service cost	4,542	2,908	3,107
Interest cost	7,479	7,445	7,542
Expected return on assets	(6,477)	(5,951)	(6,791)
Expense recognised in profit and loss	5,544	4,402	3,858

The expense is recognised in the following line items in the profit and loss account

Cost of sales	4,542	2,908	3,107
Interest payable & similar charges	1,002	1,494	751
	5,544	4,402	3,858

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Main Plan (continued)

Analysis of amounts recognised in the statement of total recognised gains and losses

	Main Plan 31 December 2013 £000	Main Plan 31 December 2012 £000	Main Plan 31 December 2011 £000
Actuarial gain/(loss) on assets	7,045	5,218	(1,182)
Actuarial gain/(loss) on liabilities due to experience	2,212	1,420	(1,164)
Actuarial loss on liabilities due to assumptions	(7,310)	(10,879)	(10,404)
Total gain in the STRGL	1,947	(4,241)	(12,750)

The fair value of the plan assets, the return on those assets and the expected return on assets were as follows

	Main Plan 31 December 2013 £000	Main Plan 31 December 2013 % pa	Main Plan 31 December 2012 £000	Main Plan 31 December 2012 % pa	Main Plan 31 December 2011 £000	Main Plan 31 December 2011 % pa
Equities	63,466	6.7	47,293	6.7	40,334	6.8
Bonds	86,187	4.3	78,455	4.3	71,933	4.7
Property	-	5.7	6,652	5.7	6,671	5.8
Cash/other	1,651	0.5	1,945	0.5	1,261	0.5
	151,304		134,345		120,199	
Actual return on assets	13,522		11,169		5,609	

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Main Plan (continued)

Principal actuarial assumptions (expressed as weighted averages) at the end of the year were as follows

	Main Plan 31 December 2013	Main Plan 31 December 2012	Main Plan 31 December 2011
	%	%	%
Discount rate	4.4	4.3	4.7
Retail price inflation	3.7	3.2	3.3
Consumer price inflation	2.7	2.7	2.3
Increases to pensionable earnings	3.7	3.2	3.3
Increases to pensions in payment:			
- RPI/5%	3.4	2.9	3.0
- RPI/2.5%	2.2	2.1	2.1
- Fixed	-	3.0	3.0
Pre-retirement increases for deferred pensions	3.7	3.2	3.3
Commutation allowance	23.0	23.0	25.0

The assumptions relating to longevity underlying pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

Current pensioner aged 65: 21.6 years (male), 23.7 years (female)

The history of the plans for the current and prior periods is as follows

Balance sheet

	Main Plan 31 December 2013 £000	Main Plan 31 December 2012 £000	Main Plan 31 December 2011 £000	Main Plan 31 December 2010 £000	Main Plan 31 December 2009 £000
Present value of scheme liabilities	(185,653)	(174,783)	(158,923)	(139,529)	(129,288)
Fair value of scheme assets	151,304	134,345	120,199	113,701	102,352
	(34,349)	(40,438)	(38,724)	(25,828)	(26,936)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Main Plan (continued)

Experience adjustments

	Main Plan 31 December 2013 %	Main Plan 31 December 2012 %	Main Plan 31 December 2011 %	Main Plan 31 December 2010 %	Main Plan 31 December 2009 %
Experience adjustments on scheme liabilities as a percentages of scheme liabilities	1.2	0.8	(0.7)	1.2	1.0
Experience adjustments on scheme liabilities as a percentage of scheme assets	1.5	1.1	(1.0)	1.4	1.2

The Company expects to contribute approximately £9.6m to its defined benefit plans in the next financial year

Executives Plan

Reconciliation of fund status to balance sheet

	Exec plan 31 December 2013 £000	Exec plan 31 December 2012 £000	Exec plan 31 December 2011 £000
Present value of funded defined benefit obligations	(17,626)	(17,711)	(16,966)
Fair value of plan assets	13,444	12,340	11,094
Deficit	(4,182)	(5,371)	(5,872)
Related deferred tax asset	836	1,235	1,468
Net liability	(3,346)	(4,136)	(4,404)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Executives Plan (continued)

Changes in the present value of liabilities during the year

	Exec plan 31 December 2013 £000	Exec plan 31 December 2012 £000	Exec plan 31 December 2011 £000
Liabilities at the start of the year	(17,711)	(16,966)	(14,495)
Service cost	(254)	(238)	(191)
Interest cost	(755)	(786)	(771)
Actuarial gain/(loss) due to experience	571	221	(777)
Actuarial loss due to assumptions	(60)	(668)	(1,341)
Benefits paid	583	726	609
Liabilities at the end of the year	(17,626)	(17,711)	(16,966)

Changes in the fair value of assets during the year

Fair value of assets at the start of the year	12,340	11,094	10,420
Expected return on assets	605	552	630
Actuarial gain/(loss) on assets	211	562	(56)
Contributions by the Company	870	857	708
Contributions by the members	1	1	1
Benefits paid	(583)	(726)	(609)
Fair value of assets at the end of the year	13,444	12,340	11,094

Analysis of the profit and loss charge

Current service cost	253	237	190
Interest cost	755	786	771
Expected return on assets	(605)	(552)	(630)
Expense recognised in the profit and loss	403	471	331

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Executives Plan (continued)

The expense is recognised in the following line items in the profit and loss account

	Exec plan 31 December 2013 £000	Exec plan 31 December 2012 £000	Exec plan 31 December 2011 £000
Distribution expenses	53	50	40
Administration expenses	99	92	70
Selling expenses	101	95	80
Interest payable and similar charges	150	234	141
	403	471	331

Analysis of amounts recognised in the statement of total recognised gains and losses

Actuarial gain/(loss) on assets	211	562	(56)
Actuarial gain/(loss) on liabilities due to experience	571	221	(777)
Actuarial loss on liabilities due to assumptions	(60)	(668)	(1,341)
Total gain in the STRGL	722	115	(2,174)

The fair value of the plan assets, the return on those assets and the expected return on assets were as follows

	Exec plan 31 December 2013 £000	Exec plan 31 December 2013 % pa	Exec plan 31 December 2012 £000	Exec plan 31 December 2012 % pa	Exec plan 31 December 2011 £000	Exec plan 31 December 2011 % pa
Equities	6,417	6.7	5,819	6.7	5,083	6.8
Bonds	6,626	3.6	6,005	4.3	5,576	4.7
Cash/other	401	0.5	516	0.5	435	0.5
	13,444		12,340		11,094	
Actual return on assets	816		1,114		574	

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Executives Plan (continued)

Principal actuarial assumptions (expressed as weighted averages) at the end of the year were as follows:

	Exec plan 31 December 2013	Exec plan 31 December 2012	Exec plan 31 December 2011
	%	%	%
Discount rate	4.4	4.3	4.7
Price inflation	3.7	3.2	3.3
Consumer price inflation	2.7	2.7	2.3
Increases to pensionable earnings	5.0	5.0	6.0
Increases to pensions in payment:			
- RPI/5%	3.4	2.9	3.0
- RPI/2.5%	2.2	2.1	2.1
- Fixed	3.0	3.0	3.0
Pre-retirement increases for deferred pensions	3.7	3.2	3.3
Commutation allowance	25.0	25.0	25.0

The assumptions relating to longevity underlying pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 60 year old to live for a number of years as follows:

Current pensioner aged 60: 29.1 years (male), 30.4 years (female)

The history of the plan for the current and prior periods is as follows:

Balance sheet

	Exec plan 31 December 2013 £000	Exec plan 31 December 2012 £000	Exec plan 31 December 2011 £000	Exec plan 31 December 2010 £000	Exec plan 31 December 2009 £000
Present value of scheme liabilities	(17,626)	(17,711)	(16,966)	(14,495)	(13,620)
Fair value of scheme assets	13,444	12,340	11,094	10,420	9,313
	(4,182)	(5,371)	(5,872)	(4,075)	(4,307)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Executives Plan (continued)

The history of the plan for the current and prior periods is as follows:

Experience adjustments

Experience adjustments on scheme:

	Exec plan 31 December 2013 %	Exec plan 31 December 2012 %	Exec plan 31 December 2011 %	Exec plan 31 December 2010 %	Exec plan 31 December 2009 %
Liabilities as a percentages of scheme liabilities	3.2	1.2	4.6	3.7	1.0
Experience adjustments on scheme Liabilities as a percentage of scheme assets	4.2	1.8	7.0	5.2	1.5

The Company expects to contribute approximately £0.8m to the Executives plan in the next financial year.

The FRS 17 liabilities have been based on the preliminary results of the triennial actuarial valuation of the Executives Plan as at 1 June 2010 and the triennial actuarial valuation of the Main Plan as at 6 April 2011. The data for both Plans has been adjusted to reflect most membership movements up to 31 December 2013.

The Company also operates a special pension scheme, which caters for pensions augmented or wholly provided by the Company. The estimated unfunded liability in respect of past service amounts to £5,000 (2012 - £7,000) which is being funded over a period not exceeding 20 years.

22 ACQUISITIONS

On 1 January 2013, the Company acquired the trade and assets of Lincoln Industrial Limited, a fellow subsidiary undertaking, for the consideration of £1,212,000.

In its last financial year to 31 December 2012, Lincoln Industrial Limited made a profit after tax of £175,000. In the financial year to 31 December 2013, the associated business unit contributed £2,350,000 to turnover and £285,000 to profit after tax to SKF (U.K.) Limited.

The consideration was the net book value of the net assets taken from the management accounts of Lincoln Industrial Limited at the date of transfer. The directors consider that the fair values and the book values of the net assets transferred were the same at the transfer date and, therefore, there are no fair value adjustments arising. A table of net book values and fair values of the assets and liabilities is presented below:

	Total £000
Fixed assets (see note 10)	4
Stocks	118
Debtors	239
Cash	1,032
Creditors	(181)
Net assets acquired	1,212
Goodwill arising on transfer	-
Consideration	(1,212)
	-
Consideration satisfied by:	
Creditors - Amounts falling due within one year	1,212

23 ULTIMATE PARENT COMPANY AND RELATED PARTY DISCLOSURES

The Company's ultimate parent Company and controlling party is Aktiebolaget SKF, which is incorporated in Sweden. The Company's immediate parent Company at 31 December 2013 was Trelanoak Limited.

The parent of the only group for which group financial statements are prepared and of which the Company is a member is Aktiebolaget SKF. Copies of these group financial statements can be obtained from SKF (U.K.) Limited, Sundon Park Road, Luton, Bedfordshire, LU3 3BL.

As a subsidiary of Aktiebolaget SKF, the company has taken the exemption contained in FRS8 and has therefore not disclosed the transactions or balances with entities which form part of the group.