

SKF (U.K.) LIMITED
REGISTRATION NO. 107367
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2011



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report, for the year ended 31 December 2011

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 very strong performance in 2011 with excellent sales, operating profit and operating margin. Turnover increased by 24% and operating profit by 50%. The Company benefited from a good demand situation from its customers and this combined with the strategy for the SKF Group in line with the long-term financial targets set in October 2010 resulted in the good results. The main initiatives going forward to support the strategy and targets continue to be, to accelerate profitable growth, to reduce costs and eliminate waste and to invest for growth.

The SKF Group launched over 30 new products and solutions for its customers with an increasing focus on improving the environmental performance through reduced energy consumption, improved productivity and asset management.

The property at Sundon Park Road, Luton was valued at 31 December 2010 this gave an indicative existing use value of £7.3 million. However, within the financial statements the Company has not revalued this asset upwards in line with its accounting policy as described in note 1.

Entering 2012, the demand for SKF's products is expected to be slightly lower than in the first quarter of 2011, we do however expect to see a positive volume development thereafter.

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.

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.

DIRECTORS' REPORT (CONTINUED)**Results for the year**

Total sales for the year amounted to £250.6 million (2010 - £202.8 million). An improved level of activity has been achieved by most divisions

The profit for the year after taxation was £39.8 million (2010 - £25.4 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 2011 of £22.0 million (2010 - £36.6 million) was paid during the year. The directors do not recommend payment of a final ordinary dividend (2010 - £nil)

Subsequent to the year end the directors have approved an interim ordinary dividend for the year ended 31 December 2012 of £28.5 million.

Directors

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

T B Bertilsson
R J Law
S L Smith

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' REPORT (CONTINUED)**Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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.

Employee consultation

In addition to regular Company newsletters, a system of "Team Briefing" operates within the Company for communicating news and information regarding the business and development of the Company to all employees. "Team Briefing" includes reference to results and achievements and greatly facilitates two-way communication within the Company.

A Joint Negotiating Committee exists and provides a forum for two-way communication and consultation. Feedback from representatives is taken on a regular basis so that opinions and suggestions of employees can be considered in relation to issues which may affect their interests.

Disabled persons in common with all others are given full consideration in respect of selection, continued employment, training, career development and promotion.

DIRECTORS' REPORT (CONTINUED)

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 2011 of 44.07 days (2010 – 38.76 days)

Research and Development

During 2011 the Company spent £3.5 million on research and development (2010 - £1.9 million)

Charitable donations

During 2011 the Company made charitable donations amounting to £10,813 (2010 - £7,119)

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the Board



S L Smith
Director

Sundon Park Road
Luton
Bedfordshire
LU3 3BL

27 March 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SKF (U.K.) LIMITED

We have audited the financial statements of SKF (U K) Limited for the year ended 31 December 2011 set out on pages 6 to 32 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

B J Stapleton 16 April 2012

B J Stapleton (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
 Chartered Accountants
 Altius House
 One North Fourth Street
 Milton Keynes
 MK9 1NE

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £000	2011 £000	2010 £000	2010 £000
TURNOVER					
Continuing operations	2,3	250,635		202,790	
Discontinued operations	2,3	-		-	
			250,635		202,790
COST OF SALES			(176,357)		(149,722)
GROSS PROFIT			74,278		53,068
OPERATING EXPENSES	3		(19,457)		(16,501)
OPERATING PROFIT	3				
Continuing operations		54,821		36,724	
Discontinued operations		-		(157)	
			54,821		36,567
LOSS ON SALE OF ASSETS					
Continuing operations			-		-
Discontinued operations			-		(13)
					(13)
PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES			54,821		36,554
INTEREST RECEIVABLE AND SIMILAR INCOME	4		410		368
INTEREST PAYABLE AND SIMILAR CHARGES	4		(1,126)		(2,106)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5		54,105		34,816
TAX ON PROFIT ON ORDINARY ACTIVITIES	8		(14,288)		(9,418)
PROFIT FOR THE YEAR			39,817		25,398

Notes on pages 9 – 32 form an integral part of these financial statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 £000	2010 £000
Profit for the financial year	39,817	25,398
Actuarial (losses)/gains recognised in the pension schemes:		
Main plan	(12,750)	2,989
Executives plan	(2,174)	105
Deferred tax liability/(asset) arising on losses and gains in the pension schemes:		
Main plan	3,187	(807)
Executives plan	544	(28)
Total recognised gains and losses since last annual report	28,624	27,657

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 £000	2010 £000
Reported profit on ordinary activities before taxation	54,105	34,816
Difference between a historical cost depreciation charge and the actual depreciation charge for the year	98	94
Historical cost profit on ordinary activities before taxation	54,203	34,910
Historical cost profit for the year after taxation	39,915	25,492

SKF (U.K.) LIMITED

Registration Number 107367

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BALANCE SHEET AS AT 31 DECEMBER 2011

	Notes	2011 £000	2010 £000
FIXED ASSETS			
Intangible assets	10	116	157
Tangible assets	11	16,855	17,399
Investments	12	2,372	2,381
		<hr/> 19,343	<hr/> 19,937
CURRENT ASSETS			
Stocks	13	15,112	11,536
Debtors	14	102,266	82,990
Cash at bank and in hand		2,898	2,148
		<hr/> 120,276	<hr/> 96,674
CREDITORS - Amounts falling due within one year	15	(37,440)	(32,304)
NET CURRENT ASSETS		<hr/> 82,836	<hr/> 64,370
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 102,179	<hr/> 84,307
PROVISIONS FOR LIABILITIES AND CHARGES	16	(316)	(686)
NET ASSETS EXCLUDING PENSION LIABILITIES		<hr/> 101,863	<hr/> 83,621
PENSION LIABILITIES	22	(33,447)	(21,829)
NET ASSETS		<hr/> 68,416	<hr/> 61,792
CAPITAL AND RESERVES			
Called-up share capital	17	37,200	37,200
Share premium account	18	1,114	1,114
Revaluation reserve	18	1,168	1,266
Profit and loss account	18	28,934	22,212
SHAREHOLDERS' FUNDS	19	<hr/> 68,416	<hr/> 61,792

The financial statements were approved by the board on 27 March 2012 and signed on its behalf by.



S L Smith
Director

27 March 2012

Notes on pages 9 – 32 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011**1 STATEMENT OF ACCOUNTING POLICIES****Basis of accounting**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards.

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 accounts 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.

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 Directors' Report on pages 1 to 4. 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**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 2011 (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 operates solely within the ball and roller bearing sector. 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)
3 ANALYSIS OF CONTINUING AND DISCONTINUING OPERATIONS

	2011	2011	2011	2010	2010	2010
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	£000	£000	£000	£000	£000	£000
Turnover	250,635	-	250,635	202,790	-	202,790
Cost of sales	(176,357)	-	(176,357)	(149,682)	(40)	(149,722)
Gross profit/(loss)	74,278	-	74,278	53,108	(40)	53,068
Selling costs	(7,870)	-	(7,870)	(6,685)	-	(6,685)
Administration costs	(7,576)	-	(7,576)	(6,202)	(117)	(6,319)
Distribution costs	(4,011)	-	(4,011)	(3,497)	-	(3,497)
Operating profit/(loss)	54,821	-	54,821	36,724	(157)	36,567

4 FINANCE CHARGES
Interest Receivable and Similar Income

	2011	2010
	£000	£000
Income from fixed asset investments	319	203
Interest receivable from fellow group companies	76	116
Other interest receivable and similar income	15	49
	<u>410</u>	<u>368</u>

Interest Payable and Similar Charges

	2011	2010
	£000	£000
Bank loans and overdrafts	59	45
Interest payable to fellow group companies	124	431
Financial expense in relation to pensions (see note 22)	892	1,630
Other interest payable and similar charges	51	-
	<u>1,126</u>	<u>2,106</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

	2011 £000	2010 £000
Depreciation and amounts written off tangible fixed assets	2,198	2,079
Amortisation of intangible fixed assets	41	27
Research and development	2,790	3,349
Hire of plant and machinery	1,069	1,309
Hire of buildings	492	357
Auditors' remuneration for audit of these financial statements	62	61
Exchange gain	(704)	(348)
Loss on disposal of tangible fixed assets	<u>9</u>	<u>13</u>

Amounts payable to KPMG LLP by the Company in respect of non audit services were £1,000 (2010 - £2,000)

6 STAFF COSTS

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

	2011 Number	2010 Number
Production	591	531
Sales	129	100
Distribution	29	33
Administration	197	181
	<u>946</u>	<u>845</u>

Their aggregate remuneration comprised.

	2011 £000	2010 £000
Wages and salaries	36,886	30,760
Social security costs	3,302	2,759
Other pension costs (see note 22)	3,297	3,094
	<u>43,485</u>	<u>36,613</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**7 DIRECTORS' REMUNERATION AND TRANSACTIONS****Remuneration**

The remuneration of the directors was as follows:-

	2011 £000	2010 £000
Emoluments	487	399
Company contributions to pension scheme	163	162
	<u>650</u>	<u>561</u>

Pensions

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

	2011 Number	2010 Number
Defined benefit schemes	<u>2</u>	<u>2</u>

Highest paid director

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

	2011 £000	2010 £000
Emoluments	<u>331</u>	<u>265</u>

The accrued pension benefit at 31 December 2011 of the highest paid director was £132,683 (2010 - £117,000)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

UK corporation tax

	2011 £000	2010 £000
Current year	(13,690)	(9,951)
Adjustment in respect of previous periods	(312)	31
	<u>(14,002)</u>	<u>(9,920)</u>

Deferred tax

Current year movement	370	341
Deferred tax in relation to pensions	(656)	161
	<u>(286)</u>	<u>502</u>

Current tax charge for the year	<u>(14,288)</u>	<u>(9,418)</u>
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Tax Reconciliation

	2011 £000	2010 £000
Profit on ordinary activities before tax	<u>54,105</u>	<u>34,816</u>
Tax at 26.5%/28.0% thereon	(14,332)	(9,748)
Expenses not deductible for tax purposes	(120)	(326)
Capital allowances in excess of depreciation	(133)	82
Movement in short term timing differences	38	(329)
Adjustment in respect of previous periods	(312)	31
Utilisation of loss carried forward	742	370
Tax credits – R&D	110	-
Other	5	-
Total current tax charge	<u>(14,002)</u>	<u>(9,920)</u>

Factors that may affect future current and total tax charges

On 23 March 2011 the Chancellor announced the reduction in the main rate of corporation tax to 26% with effect from 1 April 2011. A further reduction to 25% was substantively enacted on 5 July 2011 and received Royal Assent on 19 July 2011. The effect of the rate creates a reduction in the deferred tax asset, which has been included in the figures above.

The Chancellor also proposed changes to further reduce the main rate of UK Corporation Tax to 23% by 1 April 2014 but these changes were not substantively enacted at the balance sheet date and therefore are not included in the figures above.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)
9 DIVIDENDS

	2011 £000	2010 £000
Interim dividend paid of 59 1p (2010 98.5p) per ordinary share	<u>22,000</u>	<u>36,650</u>

Subsequent to the year end the directors have approved an interim ordinary dividend for the year ended 31 December 2012 of £28 5 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.

10 INTANGIBLE ASSETS
Cost or valuation

	Development Cost £000	Intellectual Property £000	Total £000
At 1 January 2011	<u>234</u>	<u>300</u>	<u>534</u>
At 31 December 2011	<u>234</u>	<u>300</u>	<u>534</u>

Amortisation

At 1 January 2011	190	187	377
Charge for the year	26	15	41
At 31 December 2011	<u>216</u>	<u>202</u>	<u>418</u>

Net book value

At 31 December 2011	<u>18</u>	<u>98</u>	<u>116</u>
At 31 December 2010	<u>44</u>	<u>113</u>	<u>157</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)
11 TANGIBLE ASSETS
Cost or valuation

	Freehold Land and buildings £000	Plant and equipment £000	Assets under construction £000	Total £000
At 1 January 2011	16,616	52,791	560	69,967
Additions	257	462	943	1,662
Transfers	-	296	(296)	-
Disposals	-	(802)	-	(802)
At 31 December 2011	<u>16,873</u>	<u>52,747</u>	<u>1,207</u>	<u>70,827</u>

Depreciation

At 1 January 2011	8,160	44,408	-	52,568
Charge for the year	467	1,731	-	2,198
Disposals	-	(794)	-	(794)
At 31 December 2011	<u>8,627</u>	<u>45,345</u>	<u>-</u>	<u>53,972</u>

Net book value

At 31 December 2011	<u>8,246</u>	<u>7,402</u>	<u>1,207</u>	<u>16,855</u>
At 31 December 2010	<u>8,456</u>	<u>8,383</u>	<u>560</u>	<u>17,399</u>

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

	2011 £000	2010 £000
Cost	14,149	13,863
Aggregate depreciation	(6,095)	(5,725)
Net book value	<u>8,054</u>	<u>8,138</u>

Freehold land amounting to £2,636,000 (2010 - £2,636,000) has not been depreciated

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

12 INVESTMENTS

Cost

	Shares in group undertakings £000	Other investments (Unlisted) £000	Total £000
At 1 January 2011	1,873	831	2,704
At 31 December 2011	1,873	831	2,704

Provision of impairment

At 1 January 2011	323	-	323
Provided in the year	9	-	9
At 31 December 2011	332	-	332

Net book value

At 31 December 2011	1,541	831	2,372
At 31 December 2010	1,550	831	2,381

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 share 100%
Other Investments			
SKF India Limited	India	Bearing Manufacture	Ordinary share 6 45%

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**13 STOCKS**

	2011	2010
	£000	£000
Raw materials and consumables	3,917	1,605
Work in progress	8,098	7,395
Finished goods	3,097	2,536
	<u>15,112</u>	<u>11,536</u>

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

14 DEBTORS**Amounts falling due within one year:**

	2011	2010
	£000	£000
Trade debtors	25,758	20,963
Amounts owed by group undertakings	74,008	58,800
Other debtors	73	120
Prepayments and accrued income	2,427	3,107
	<u>102,266</u>	<u>82,990</u>

15 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011	2010
	£000	£000
Trade creditors	6,909	5,398
Amounts owed to group undertakings	11,096	10,781
Other taxation and social security	676	1,036
Other creditors	2,720	2,468
Accruals and deferred income	9,139	8,525
UK corporation tax payable	6,900	4,096
	<u>37,440</u>	<u>32,304</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**16 DEFERRED TAXATION**

	2011 £000	2010 £000
At 1 January	686	1,011
Credited to the profit and loss account	(370)	(341)
Other changes	-	16
At 31 December	<u>316</u>	<u>686</u>

The elements of deferred taxation are as follows:

	2011 £000	2010 £000
Fixed asset timing differences	886	1,092
Other timing differences	(570)	(406)
Total deferred tax liability	<u>316</u>	<u>686</u>

A deferred tax asset relating to tax losses transferred on acquisition of Stonewind Limited of £3,090,000 (2010 - £4,335,000) has not been recognised as the directors consider its recoverability doubtful in the short term

17 CALLED-UP SHARE CAPITAL

Authorised, allotted, called-up and fully paid

	2011 £000	2010 £000
37,200,000 ordinary shares of £1 each	<u>37,200</u>	<u>37,200</u>

18 RESERVES

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 2011	1,114	1,266	22,212	24,592
Profit for the year	-	-	39,817	39,817
Dividend in respect of current year	-	-	(22,000)	(22,000)
Transfer of reserves	-	(98)	98	-
Actuarial loss recognised in the pension schemes net of deferred tax	-	-	(11,193)	(11,193)
At 31 December 2011	<u>1,114</u>	<u>1,168</u>	<u>28,934</u>	<u>31,216</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)
19 SHAREHOLDERS' FUNDS

	2011 £000	2010 £000
Profit for the financial year	39,817	25,398
Dividends in respect of current year	(22,000)	(36,650)
Actuarial (losses)/gains recognised in the pension schemes net of deferred tax	(11,193)	2,259
Net increase/(reduction) to shareholders' funds	<u>6,624</u>	<u>(8,993)</u>
Opening shareholders' funds	61,792	70,785
Closing shareholders' funds	<u>68,416</u>	<u>61,792</u>

20 LEASE OBLIGATIONS

At 31 December 2011 the Company had annual commitments under operating leases as follows

	2011 Land and buildings £000	2011 Other £000	2010 Land and buildings £000	2010 Other £000
Expiry date.				
Within 1 year	83	153	39	238
Between two and five years	209	690	45	593
After 5 years	165	6	217	117
	<u>457</u>	<u>849</u>	<u>301</u>	<u>948</u>

21 CAPITAL COMMITMENTS

At 31 December 2011 capital expenditure contracts totalling £985,000 (2010 - £172,000) have been entered into but not provided for.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

22 PENSION LIABILITIES

Pension Costs

The Company provides pension arrangements to the majority of full time employees through two defined benefit schemes and the related costs are assessed in accordance with the advice of professionally qualified actuaries.

The information disclosed below is in respect of the whole of the 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 2011 £000	Main plan 31 December 2010 £000	Main plan 31 December 2009 £000
Present value of funded defined benefit obligations	(158,923)	(139,529)	(129,288)
Fair value of plan assets	120,199	113,701	102,352
Deficit	(38,724)	(25,828)	(26,936)
Related deferred tax asset	9,681	6,974	7,542
Net liability	<u>(29,043)</u>	<u>(18,854)</u>	<u>(19,394)</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

22 PENSION LIABILITIES (CONTINUED)

Main Plan (continued)

Changes in the present value of liabilities during the year

	Main Plan 31 December 2011 £000	Main Plan 31 December 2010 £000	Main Plan 31 December 2009 £000
Liabilities at the start of the year	(139,529)	(129,288)	(94,374)
Current service cost	(5,132)	(4,493)	(3,530)
Past service cost	-	-	(34)
Gains on curtailments	-	-	184
Interest cost	(7,542)	(7,218)	(6,270)
Actuarial (loss)/gain on liabilities due to experience	(1,164)	1,628	(1,233)
Actuarial (loss)/gain on liabilities due to assumptions	(10,404)	(5,459)	(29,070)
Benefits paid	4,848	5,301	5,039
Liabilities at the end of the year	<u>(158,923)</u>	<u>(139,529)</u>	<u>(129,288)</u>

Changes in the fair values of assets during the year

Fair value of assets at start of the year	113,701	102,352	94,677
Expected return on assets	6,791	5,847	4,922
Actuarial (loss)/gain on assets	(1,182)	6,820	2,086
Contributions by the Company	3,712	2,271	3,652
Contributions by the members	2,025	1,712	2,054
Benefits paid	(4,848)	(5,301)	(5,039)
Fair value of assets at end of year	<u>120,199</u>	<u>113,701</u>	<u>102,352</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

22 PENSION LIABILITIES (CONTINUED)

Main Plan (continued)

Analysis of profit and loss charge

	Main Plan 31 December 2011 £000	Main Plan 31 December 2010 £000	Main Plan 31 December 2009 £000
Current service cost	3,107	2,781	1,476
Past service cost	-	-	34
Loss on curtailments	-	-	(184)
Interest cost	7,542	7,218	6,270
Expected return on assets	(6,791)	(5,847)	(4,922)
	<u>3,858</u>	<u>4,152</u>	<u>2,674</u>

Expense recognised in profit and loss

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

Cost of sales	3,107	2,781	1,326
Other interest receivable & similar income	-	1,371	1,348
Interest payable & similar charges	751	-	-
	<u>3,858</u>	<u>4,152</u>	<u>2,674</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

22 PENSION LIABILITIES (CONTINUED)

Main Plan (continued)

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

	Main Plan 31 December 2011 £000	Main Plan 31 December 2010 £000	Main Plan 31 December 2009 £000
Actuarial (loss)/gain on assets	(1,182)	6,820	2,086
Actuarial (loss)/gain on liabilities due to experience	(1,164)	1,628	(1,233)
Actuarial loss on liabilities due to assumptions	(10,404)	(5,459)	(29,070)
Total (loss)/gain in the STRGL	<u>(12,750)</u>	<u>2,989</u>	<u>(28,217)</u>

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 2011 £000	Main Plan 31 December 2011 % pa	Main Plan 31 December 2010 £000	Main Plan 31 December 2010 % pa	Main Plan 31 December 2009 £000	Main Plan 31 December 2009 % pa
Equities	40,334	6.8	42,668	7.7	36,653	8.0
Bonds	71,933	4.7	63,054	5.4	57,217	4.5
Property	6,671	5.8	6,153	6.2	5,709	6.5
Cash/other	1,261	0.5	1,826	0.5	2,773	0.5
	<u>120,199</u>		<u>113,701</u>		<u>102,352</u>	
Actual return on assets	<u>5,609</u>		<u>12,667</u>		<u>7,008</u>	

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 2011 (CONTINUED)

22 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 2011	Main Plan 31 December 2010	Main Plan 31 December 2009
Discount rate	4.7%	5.4%	5.7%
Retail price inflation	3.3%	3.8%	3.8%
Consumer price inflation	2.3%	3.3%	n/a
Increases to pensionable earnings	3.3%	4.0%	4.0%
Increases to pensions in payment			
- RPI/5%	3.0%	3.0%	3.0%
- RPI/2.5%	2.1%	3.4%	3.4%
- Fixed	3.0%	2.2%	2.2%
Pre-retirement increases for deferred pensions	3.3%	3.8%	3.8%
Commutation allowance	25%	25%	25%

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. 20.4 years (male), 22.9 years (female)

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

Balance sheet

	Main plan 31 December 2011 £000	Main plan 31 December 2010 £000	Main plan 31 December 2009 £000	Main plan 31 December 2008 £000	Main plan 31 December 2007 £000
Present value of scheme liabilities	(158,923)	(139,529)	(129,288)	(94,374)	(102,079)
Fair value of scheme assets	120,199	113,701	102,352	94,677	95,286
	<u>(38,724)</u>	<u>(25,828)</u>	<u>(26,936)</u>	<u>303</u>	<u>(6,793)</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

22 PENSION LIABILITIES (CONTINUED)

Main Plan (continued)

Experience adjustments

	Main plan 31 December 2011	Main plan 31 December 2010	Main plan 31 December 2009	Main plan 31 December 2008	Main plan 31 December 2007
Experience adjustments on scheme liabilities as a percentage of scheme liabilities	(0.7%)	1.2%	1.0%	4.8%	(0.2%)
Experience adjustments on scheme liabilities as a percentage of scheme assets	(1.0%)	1.4%	1.2%	4.8%	(0.2%)

The Company expects to contribute approximately £3.4m to its defined benefit plans in the next financial year

Executives Plan

Reconciliation of fund status to balance sheet

	Exec plan 31 December 2011 £000	Exec plan 31 December 2010 £000	Exec Plan 31 December 2009 £000
Present value of funded defined benefit obligations	(16,966)	(14,495)	(13,620)
Fair value of plan assets	11,094	10,420	9,313
Deficit	(5,872)	(4,075)	(4,307)
Related deferred tax asset	1,468	1,100	1,206
Net liability	(4,404)	(2,975)	(3,101)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

22 PENSION LIABILITIES (CONTINUED)

Executives Plan (continued)

Changes in the present value of liabilities during the year

	Exec plan 31 December 2011 £000	Exec plan 31 December 2010 £000	Exec plan 31 December 2009 £000
Liabilities at the start of the year	(14,495)	(13,620)	(10,461)
Current service cost	(191)	(314)	(307)
Past service cost	-	-	(106)
Interest cost	(771)	(761)	(709)
Actuarial (loss)/gain due to experience	(777)	528	(136)
Actuarial loss due to assumptions	(1,341)	(716)	(2,315)
Benefits paid	609	388	414
Liabilities at the end of the year	<u>(16,966)</u>	<u>(14,495)</u>	<u>(13,620)</u>

Changes in the fair value of assets during the year

Fair value of assets at the start of the year	10,420	9,313	7,589
Expected return on assets	630	502	442
Actuarial (loss)/gain on assets	(56)	293	840
Contributions by the Company	708	699	854
Contributions by the members	1	1	2
Benefits paid	(609)	(388)	(414)
Fair value of assets at the end of the year	<u>11,094</u>	<u>10,420</u>	<u>9,313</u>

Analysis of the profit and loss charge

Current service cost	190	313	305
Past service cost	-	-	106
Interest cost	771	761	709
Expected return on assets	(630)	(502)	(442)
Expense recognised in the profit and loss	<u>331</u>	<u>572</u>	<u>678</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

22 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 2011 £000	Exec plan 31 December 2010 £000	Exec plan 31 December 2009 £000
Distribution expenses	40	66	74
Administration expenses	70	116	148
Selling expenses	80	131	189
Interest payable and similar charges	141	259	267
	<u>331</u>	<u>572</u>	<u>678</u>

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

Actuarial (loss)/gain on assets	(56)	293	840
Actuarial (loss)/gain on liabilities due to experience	(777)	528	(136)
Actuarial loss on liabilities due to assumptions	(1,341)	(716)	(2,315)
Total (loss)/gain in the STRGL	<u>(2,174)</u>	<u>105</u>	<u>(1,611)</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

22 PENSION LIABILITIES (CONTINUED)

Executives Plan (continued)

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 2011 £000	Exec plan 31 December 2011 % pa	Exec plan 31 December 2010 £000	Exec plan 31 December 2010 % pa	Exec plan 31 December 2009 £000	Exec plan 31 December 2009 % pa
Equities	5,083	6.8	4,919	7.7	3,389	8.0
Bonds	5,576	4.7	5,243	5.4	4,812	4.5
Cash/other	435	0.5	258	0.5	1,112	0.5
	<u>11,094</u>		<u>10,420</u>		<u>9,313</u>	
Actual return on assets	<u>574</u>		<u>(795)</u>		<u>(1,282)</u>	

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

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

	Exec plan 31 December 2011	Exec plan 31 December 2010	Exec Plan 31 December 2009
Discount rate	4.7%	5.4%	5.7%
Price inflation	3.3%	3.8%	3.8%
Consumer price inflation	2.3%	3.3%	n/a
Increases to pensionable earnings	6.0%	6.0%	5.1%
Increases to pensions in payment:			
- RPI/5%	3.0%	3.4%	2.5%
- RPI/2.5%	2.1%	2.2%	3.4%
- Fixed	3.0%	3.0%	2.2%
Pre-retirement increases for deferred pensions	3.3%	3.8%	3.8%
Commutation allowance	25%	25%	25%

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: 23.6 years (male), 24.9 years (female)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

22 PENSION LIABILITIES (CONTINUED)

Executives Plan (continued)

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

Balance sheet

	Exec plan 31 December 2011 £000	Exec plan 31 December 2010 £000	Exec plan 31 December 2009 £000	Exec plan 31 December 2008 £000	Exec plan 31 December 2007 £000
Present value of scheme liabilities	(16,966)	(14,495)	(13,620)	(10,461)	(9,911)
Fair value of scheme assets	11,094	10,420	9,313	7,589	8,053
	<u>(5,872)</u>	<u>(4,075)</u>	<u>(4,307)</u>	<u>(2,872)</u>	<u>(1,858)</u>

Experience adjustments

Experience adjustments on scheme liabilities as a percentages of scheme liabilities 4.6%

Experience adjustments on scheme liabilities as a percentage of scheme assets 7.0%

	3.7%	1.0%	18.5%	(0.8%
	5.2%	1.5%	(25.5%)	1.0%

The Company expects to contribute approximately £0.5m 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 2008. The data for both Plans has been adjusted to reflect most membership movements up to 31 December 2011.

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 £8,000 (2010 - £11,000) which is being funded over a period not exceeding 20 years.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**23 Acquisitions**

On 1 October 2010, the Company acquired the trade and assets of SKF Economos UK Limited, a fellow subsidiary undertaking, for the consideration of £1,085,000

The consideration was the net book value of the net assets 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	299
Stocks	342
Debtors	1,245
Cash	1
Creditors	(802)
	<hr/> 1,085 <hr/>
Consideration	(1,085)
Goodwill arising on transfer	<hr/> - <hr/>

24 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 31st December 2011 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.