

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

31 DECEMBER 2007

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**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007**

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 2007

**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 achieved an increase in sales of 9.6% and improved profit levels. The continued improvement in the financial results in 2007 can be attributed to a continued focus on delivering value to its customers, higher sales, improved pricing, increased productivity and cost control in spite of higher costs and difficult supply situation faced for raw materials and components

During the year the Company took important steps to continue to strengthen the five platforms and to enable us to deliver knowledge-based solutions to our customers. 2007 was a good year, the Company delivered well in line with targets and business-wise took important steps to further strengthen the Company and to deliver on the Groups vision to become "The knowledge engineering company"

The Company is continuing to implement its business strategy to achieve long-term profitable growth and to achieve its financial targets. The strategy includes:

- a clear and dedicated customer focus,
- developing new products, solutions and services with higher added value and improved price quality by applying the SKF platform and segment approach,
- strengthening the product portfolio within the platforms through greater investment in R&D and through acquisitions;
- reducing capital employed and fixed costs and attracting, retaining and developing the right people

In support of the financial and business strategies, SKF continues to focus on employee talent management, employee care programmes, Six Sigma, sustainability and environmental issues

**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, capital reduction and profitable growth. The calculation is the operating profit less the pre-tax cost of capital

**Risks and uncertainties facing the business**

The Company operates in many different business segments, competitive pressure within the UK is a risk to the business combined with the move of manufacturing to more cost effective countries. The above strategies are designed to mitigate this risk

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, the Group's internal bank

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

Total sales for the year amounted to £170.2 million (2006 - £155.2 million). An improved level of activity has been achieved by most divisions.

The profit for the year after taxation was £13.2 million (2006 - £10.8 million). The company continues to control spend and operate good pricing policies within the market.

An ordinary dividend in respect of the year ended 31 December 2007 of £17.0 million has been paid during the year (2006 - nil). The directors will be recommending a final ordinary dividend payment of £10.0 million (2006 - £nil million).

**Directors**

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

T B Bertilsson  
R J Law  
S L Smith  
B O Hansson

No director had any interests in the shares of the company or any other group company required to be disclosed under Schedule 7 of the Companies Act 1985.

**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 to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**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.

The financial statements are required by law to 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.

**DIRECTORS' REPORT (CONTINUED)**

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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 three 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.

**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 2007 of 47.14 days (2006 – 41.46 days).

**Research and Development**

During 2007 the company spent £1.2 million on research and development (2006 - £1.0 million).

**Charitable donations**

During 2007 the company made charitable donations amounting to £33,990 (2006 - £17,149).

**DIRECTORS' REPORT (CONTINUED)**

**Statutory dispensation**

The company has an election in force under section 379 (A) of the Companies Act 1985 dispensing with

- a) The laying of financial statements and reports before the company in a General Meeting.
- b) The holding of an Annual General Meeting
- c) The obligation to appoint auditors annually

By order of the Board



**S L Smith**  
**Director**

Sundon Park Road  
Luton  
Bedfordshire  
LU3 3BL

24 September 2008

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

We have audited the financial statements of SKF (U.K.) Limited for the year ended 31 December 2007 which comprise the profit and loss account, the statement of recognised gains and losses, the note of historical cost profits and losses, the balance sheet, the statement of accounting policies, and the related notes numbered 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

**Basis of audit opinion**

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

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SKF (U.K.) LIMITED  
(CONTINUED)**

**Opinion**

In our opinion

- the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- that the information given in the Directors' Report is consistent with the financial statements

*KPMG LLP*

**KPMG LLP**  
Chartered Accountants  
Registered Auditor

*26 September, 2008*

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007**

|   | Notes    | 2007<br>£000 | 2006<br>£000 |
|---|----------|--------------|--------------|
| <b>TURNOVER</b>   | <b>1</b> | 170 185      | 155 249      |
| <b>COST OF SALES</b>  |          | ( 134 946 )  | ( 124 908 )  |
| <b>GROSS PROFIT</b>   |          | 35 239       | 30 341       |
| <b>OTHER OPERATING EXPENSES</b>                                 | <b>2</b> | ( 17 086 )   | ( 15 170 )   |
| <b>OPERATING PROFIT</b>   |          | 18 153       | 15 171       |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE FINANCE CHARGES</b> |          | 18 153       | 15 171       |
| <b>INTEREST RECEIVABLE AND SIMILAR INCOME</b>                   | <b>3</b> | 3 175        | 1 330        |
| <b>INTEREST PAYABLE AND SIMILAR CHARGES</b>                     | <b>3</b> | ( 430 )      | ( 598 )      |
| <b>PROFIT ON ORDINARY<br/>ACTIVITIES BEFORE TAXATION</b>        | <b>4</b> | 20 898       | 15 903       |
| <b>TAX ON PROFIT<br/>ON ORDINARY ACTIVITIES</b>                 | <b>7</b> | ( 7 673 )    | ( 5 153 )    |
| <b>PROFIT FOR THE YEAR</b>                                      |          | 13 225       | 10 750       |

All results are derived from continuing activities in both years



**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED  
31 DECEMBER 2007**

|  | <b>2007<br/>£000</b> | <b>2006<br/>£000</b> |
|--|----------------------|----------------------|
| <b>Profit for the financial year</b>   | 13 225               | 10 750               |
| <b>Actuarial (losses)/gains recognised in the pension scheme:</b>                        |                      |                      |
| Main plan  | ( 389 )              | 10 005               |
| Executives plan  | ( 592 )              | 290                  |
| <b>Deferred tax liability/(asset) arising on losses and gains in the pension scheme:</b> |                      |                      |
| Main plan  | 109                  | ( 3 002 )            |
| Executives plan  | 166                  | ( 87 )               |
| <b>Total recognised gains and losses since last annual report</b>                        | <u>12 519</u>        | <u>17 956</u>        |

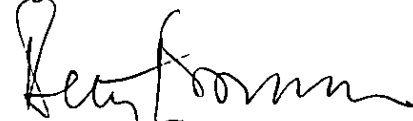
**NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED  
31 DECEMBER 2007**

|   | <b>2007<br/>£000</b> | <b>2006<br/>£000</b> |
|---|----------------------|----------------------|
| <b>Reported profit on ordinary activities before taxation</b>   | 20 898               | 15 903               |
| <b>Difference between a historical cost depreciation charge and the actual depreciation charge for the year</b> | <u>98</u>            | <u>117</u>           |
| <b>Historical cost profit on ordinary activities before taxation</b>  | <u>20 996</u>        | <u>16 020</u>        |
| <b>Historical cost profit for the year after taxation</b>   | <u>13 323</u>        | <u>10 867</u>        |

## BALANCE SHEET AS AT 31 DECEMBER 2007

|  | Notes | 2007<br>£000         | 2006<br>£000         |
|--|-------|----------------------|----------------------|
| <b>FIXED ASSETS</b>                                    |       |                      |                      |
| Intangible assets                                      | 9     | 240                  | 227                  |
| Tangible assets  | 10    | 18 404               | 19 047               |
| Investments  | 11    | 1 136                | 1 136                |
|  |       | <u>19 780</u>        | <u>20 410</u>        |
| <b>CURRENT ASSETS</b>                                  |       |                      |                      |
| Stocks   | 12    | 15 143               | 12 453               |
| Debtors  | 13    | 48 826               | 55 041               |
| Cash at bank and in hand                               |       | 2 697                | 1 574                |
|  |       | <u>66 666</u>        | <u>69 068</u>        |
| <b>CREDITORS - Amounts falling due within one year</b> | 14    | ( 23 451 )           | ( 23 006 )           |
| <b>NET CURRENT ASSETS</b>                              |       | <u>43 215</u>        | <u>46 062</u>        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>           |       | 62 995               | 66 472               |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>          | 15    | ( 3 991 )            | ( 3 569 )            |
| <b>NET ASSETS EXCLUDING PENSION LIABILITIES</b>        |       | <u>59 004</u>        | <u>62 903</u>        |
| <b>PENSION LIABILITIES</b>                             | 21    | ( 6 229 )            | ( 5 647 )            |
| <b>NET ASSETS</b>                                      |       | <u><u>52 775</u></u> | <u><u>57 256</u></u> |
| <b>CAPITAL AND RESERVES</b>                            |       |                      |                      |
| Called-up share capital                                | 16    | 37 200               | 37 200               |
| Share premium account                                  | 17    | 1 114                | 1 114                |
| Revaluation reserve                                    | 17    | 1 749                | 1 847                |
| Profit and loss account                                | 17    | 12 712               | 17 095               |
| <b>SHAREHOLDERS' FUNDS</b>                             | 18    | <u><u>52 775</u></u> | <u><u>57 256</u></u> |

Signed on behalf of the Board


B O Hansson  
Director

24 September 2008

**STATEMENT OF ACCOUNTING POLICIES - 31 DECEMBER 2007**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year

**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 228 of the Companies Act 1985 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.

Certain comparatives have been reclassified in order to be consistent with the current year presentation.

**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. 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.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. A cash generating unit is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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.

**STATEMENT OF ACCOUNTING POLICIES - 31 DECEMBER 2007 (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. The properties were last revalued at 24 February 1977 and the valuations have not subsequently been updated.

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.

**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.

**STATEMENT OF ACCOUNTING POLICIES - 31 DECEMBER 2007 (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 and related accounting policies are shown in the notes to the financial statements.

The company operates two defined benefit funded pension schemes for directors and other employees. The assets of the scheme 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.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007****1 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.

**2 OTHER OPERATING EXPENSES**

|                      | <b>2007</b><br><b>£000</b> | <b>2006</b><br><b>£000</b> |
|----------------------|----------------------------|----------------------------|
| Selling Costs        | 8 010                      | 6 675                      |
| Administration Costs | 5 859                      | 5 314                      |
| Distribution Costs   | 3 217                      | 3 181                      |
|                      | <u>17 086</u>              | <u>15 170</u>              |

**3 FINANCE INCOME**

|   | <b>2007</b><br><b>£000</b> | <b>2006</b><br><b>£000</b> |
|---|----------------------------|----------------------------|
| <b>Interest Receivable and Similar Income</b>   |                            |                            |
| Income from fixed asset investments             | 800                        | 141                        |
| Interest receivable from fellow group companies | 1 508                      | 1 170                      |
| Other interest receivable and similar income    | 99                         | 19                         |
| FRS 17 Financial income (see note 21)           | 768                        | -                          |
|   | <u>3 175</u>               | <u>1 330</u>               |

|   | <b>2007</b><br><b>£000</b> | <b>2006</b><br><b>£000</b> |
|---|----------------------------|----------------------------|
| <b>Interest Payable and Similar Charges</b> |                            |                            |
| Bank loans and overdrafts                   | 32                         | 155                        |
| Interest payable to fellow group companies  | 398                        | 425                        |
| FRS 17 Financial expense (see note 21)      | -                          | 18                         |
|   | <u>430</u>                 | <u>598</u>                 |

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)****4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

|  | <b>2007</b><br><b>£000</b> | <b>2006</b><br><b>£000</b> |
|--|----------------------------|----------------------------|
| Depreciation and amounts written off tangible fixed assets | 2 455                      | 2 565                      |
| Amortisation of intangible fixed assets                    | 27                         | 65                         |
| Research and development                                   | 1 185                      | 979                        |
| Hire of plant and machinery                                | 718                        | 730                        |
| Hire of buildings  | 263                        | 42                         |
| Auditors' remuneration for audit services                  | 51                         | 75                         |
| Exchange gain/(loss)                                       | 38                         | 88                         |
| Loss/(profit) on disposal of tangible fixed assets         | 4                          | ( 18 )                     |

Amounts payable to KPMG LLP by the company in respect of non audit services were £nil (2006 - £nil)

**5 STAFF COSTS**

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

|                | <b>2007</b><br><b>Number</b> | <b>2006</b><br><b>Number</b> |
|----------------|------------------------------|------------------------------|
| Production     | 645                          | 628                          |
| Sales          | 71                           | 107                          |
| Distribution   | 74                           | 30                           |
| Administration | 97                           | 117                          |
|                | <u>887</u>                   | <u>882</u>                   |

Their aggregate remuneration comprised

|                                   | <b>2007</b><br><b>£000</b> | <b>2006</b><br><b>£000</b> |
|-----------------------------------|----------------------------|----------------------------|
| Wages and salaries                | 28 637                     | 26 587                     |
| Social security costs             | 3 363                      | 2 687                      |
| Other pension costs (see note 21) | 2 544                      | 3 090                      |
|                                   | <u>34 544</u>              | <u>32 364</u>              |

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)****6 DIRECTORS' REMUNERATION AND TRANSACTIONS****Remuneration**

The remuneration of the directors was as follows:-

|   | <b>2007<br/>£000</b> | <b>2006<br/>£000</b> |
|---|----------------------|----------------------|
| Emoluments                              | 598                  | 542                  |
| Company contributions to pension scheme | 196                  | 186                  |
|   | <u>794</u>           | <u>728</u>           |

**Pensions**

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

|                         | <b>2007<br/>Number</b> | <b>2006<br/>Number</b> |
|-------------------------|------------------------|------------------------|
| Defined benefit schemes | <u>2</u>               | <u>2</u>               |

The accrued pension benefit at 31 December 2007 of the highest paid director was £nil (2006 £75 732)

**Highest paid director**

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

|            | <b>2007<br/>£000</b> | <b>2006<br/>£000</b> |
|------------|----------------------|----------------------|
| Emoluments | <u>249</u>           | <u>224</u>           |

**7 TAX ON ORDINARY ACTIVITIES BEFORE PROFIT**

|                                 | <b>2007<br/>£000</b> | <b>2006<br/>£000</b> |
|---------------------------------|----------------------|----------------------|
| UK corporation tax              | 6 978                | 5 399                |
| Deferred tax                    | 695                  | ( 246 )              |
| Current tax charge for the year | <u>7 673</u>         | <u>5 153</u>         |



**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)****7 TAX ON ORDINARY ACTIVITIES BEFORE PROFIT (CONTINUED)**

|  | <b>2007</b><br><b>£000</b> | <b>2006</b><br><b>£000</b> |
|--|----------------------------|----------------------------|
| <b>FRS 19 Tax Reconciliation</b>             |                            |                            |
| Profit on ordinary activities before tax     | 20 898                     | 15 903                     |
| Tax at 30% thereon                           | ( 6 269 )                  | ( 4 771 )                  |
| Expenses not deductible for tax purposes     | ( 368 )                    | ( 291 )                    |
| Capital allowances in excess of depreciation | ( 288 )                    | ( 327 )                    |
| Movement in short term timing differences    | 187                        | ( 3 )                      |
| Prior period adjustments                     | ( 240 )                    | ( - )                      |
| Other  | -                          | ( 7 )                      |
|  | <u>( 6 978 )</u>           | <u>( 5 399 )</u>           |

**8 DIVIDENDS**

|                       | <b>2007</b><br><b>£000</b> | <b>2006</b><br><b>£000</b> |
|-----------------------|----------------------------|----------------------------|
| Interim dividend paid | 17 000                     | -                          |
|                       | <u>17 000</u>              | <u>-</u>                   |

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

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

## 9 INTANGIBLE ASSETS

|                          | Development<br>Cost<br>£000 | Intellectual<br>Property<br>£000 | Total<br>£000 |
|--------------------------|-----------------------------|----------------------------------|---------------|
| <b>Cost or valuation</b> |                             |                                  |               |
| At 1 January 2007        | 103                         | 300                              | 403           |
| Additions                | 40                          | -                                | 40            |
|                          | <hr/>                       | <hr/>                            | <hr/>         |
| At 31 December 2007      | 143                         | 300                              | 443           |
|                          | <hr/>                       | <hr/>                            | <hr/>         |
| <b>Amortisation</b>      |                             |                                  |               |
| At 1 January 2007        | 49                          | 127                              | 176           |
| Charge for the year      | 12                          | 15                               | 27            |
|                          | <hr/>                       | <hr/>                            | <hr/>         |
| At 31 December 2007      | 61                          | 142                              | 203           |
|                          | <hr/>                       | <hr/>                            | <hr/>         |
| <b>Net book value</b>    |                             |                                  |               |
| At 31 December 2007      | <hr/> 82                    | <hr/> 158                        | <hr/> 240     |
| At 31 December 2006      | <hr/> 54                    | <hr/> 173                        | <hr/> 227     |

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

## 10 TANGIBLE ASSETS

|                          | Freehold<br>land and<br>buildings<br>£000 | Plant and<br>equipment<br>£000 | Total<br>£000 |
|--------------------------|---|--------------------------------|---------------|
| <b>Cost or valuation</b> |   |                                |               |
| At 1 January 2007        | 16 190                                    | 48 778                         | 64 968        |
| Additions                | 366                                       | 1 486                          | 1 852         |
| Disposals                | ( 165 )                                   | ( 744 )                        | ( 909 )       |
|                          | <u>16 391</u>                             | <u>49 520</u>                  | <u>65 911</u> |
| At 31 December 2007      |   |                                |               |
| <b>Depreciation</b>      |   |                                |               |
| At 1 January 2007        | 6 984                                     | 38 937                         | 45 921        |
| Charge for the year      | 424                                       | 2 031                          | 2 455         |
| Disposals                | ( 159 )                                   | ( 710 )                        | ( 869 )       |
|                          | <u>7 249</u>                              | <u>40 258</u>                  | <u>47 507</u> |
| At 31 December 2007      |   |                                |               |
| <b>Net book value</b>    |   |                                |               |
| At 31 December 2007      | <u>9 142</u>                              | <u>9 262</u>                   | <u>18 404</u> |
| At 31 December 2006      | <u>9 206</u>                              | <u>9 841</u>                   | <u>19 047</u> |

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

|                        | 2007<br>£000 | 2006<br>£000 |
|------------------------|--------------|--------------|
| Cost                   | 13 379       | 13 157       |
| Aggregate depreciation | ( 5 077 )    | ( 4 915 )    |
| Net book value         | <u>8 302</u> | <u>8 242</u> |

Freehold land, amounting to £2 701 000 (2006 - £2 701 000) has not been depreciated

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)****11 INVESTMENTS**

|                                   | <b>2007<br/>£000</b> | <b>2006<br/>£000</b> |
|-----------------------------------|----------------------|----------------------|
| <b>Unlisted trade investments</b> |                      |                      |
| Other investments (unlisted)      | <u>1 136</u>         | <u>1 136</u>         |

**Other investments comprise:**

|  | <b>Country of<br/>incorporation</b> | <b>Principal<br/>activity</b> | <b>Holding<br/>% and<br/>voting<br/>rights</b> |
|--|-------------------------------------|-------------------------------|--|
| SKF Engineering and<br>Research Service BV | Netherlands                         | Research                      | 6 3%   |
| SKF India Limited                          | India                               | Bearing manufacture           | 6 45%  |

**12 STOCKS**

|                               | <b>2007<br/>£000</b> | <b>2006<br/>£000</b> |
|-------------------------------|----------------------|----------------------|
| Raw materials and consumables | 4 344                | 3 048                |
| Work in progress              | 8 535                | 7 455                |
| Finished goods                | 2 264                | 1 950                |
|                               | <u>15 143</u>        | <u>12 453</u>        |

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

**13 DEBTORS**

|   | <b>2007<br/>£000</b> | <b>2006<br/>£000</b> |
|---|----------------------|----------------------|
| <b>Amounts falling due within one year:</b> |                      |                      |
| Trade debtors                               | 19 268               | 18 326               |
| Amounts owed by group undertakings          | 26 945               | 34 433               |
| Other debtors                               | 396                  | 348                  |
| Prepayments and accrued income              | 2 217                | 1 779                |
| UK Corporation tax receivable               | -                    | 155                  |
|   | <u>48 826</u>        | <u>55 041</u>        |

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

## 14 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                    | 2007<br>£000  | 2006<br>£000  |
|------------------------------------|---------------|---------------|
| Trade creditors                    | 4 275         | 4 731         |
| Amounts owed to group undertakings | 9 134         | 11 333        |
| Other taxation and social security | 961           | 870           |
| Other creditors                    | 1 793         | 1 421         |
| Accruals and deferred income       | 5 530         | 4 651         |
| UK corporation tax payable         | 1 758         | -             |
|                                    | <u>23 451</u> | <u>23 006</u> |

## 15 DEFERRED TAXATION

|  | 2007<br>£000 | 2006<br>£000 |
|--|--------------|--------------|
| At 1 January                           | 3 569        | 3 643        |
| Debited to the profit and loss account | 422          | ( 133 )      |
| Acquired                               | -            | 59           |
|  | <u>3 991</u> | <u>3 569</u> |
| At 31 December                         | <u>3 991</u> | <u>3 569</u> |

The elements of deferred taxation are as follows

|                                | 2007<br>£000 | 2006<br>£000 |
|--------------------------------|--------------|--------------|
| Fixed asset timing differences | 4 035        | 3 655        |
| Other timing differences       | ( 44 )       | ( 86 )       |
|                                | <u>3 991</u> | <u>3 569</u> |
| Total deferred tax liability   | <u>3 991</u> | <u>3 569</u> |

Deferred tax asset relating to tax losses transferred on acquisition of Stonewind Limited of £5 449 000 (2006 - £5 838 000) has not been recognised as the directors consider its recoverability doubtful in the short term

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

## 16 CALLED-UP SHARE CAPITAL

|  | 2007<br>£000 | 2006<br>£000 |
|--|--------------|--------------|
| Authorised, allotted, called-up and fully paid |              |              |
| 37,200,000 ordinary shares of £1 each          | 37 200       | 37 200       |

## 17 RESERVES

|  | Share<br>premium<br>account<br>£000 | Revaluation<br>reserve<br>£000 | Profit and<br>loss account<br>£000 | Total<br>£000 |
|--|-------------------------------------|--------------------------------|------------------------------------|---------------|
| At 1 January 2007  | 1 114                               | 1 847                          | 17 095                             | 20 056        |
| Profit for the year  | -                                   | -                              | 13 225                             | 13 225        |
| Dividend in respect of prior years                                     | -                                   | -                              | ( 17 000 )                         | ( 17 000 )    |
| Transfer of reserves   | -                                   | ( 98 )                         | 98                                 | -             |
| Actuarial losses recognised in the pension schemes net of deferred tax | -                                   | -                              | ( 706 )                            | ( 706 )       |
| At 31 December 2007  | 1 114                               | 1 749                          | 12 712                             | 15 575        |

## 18 SHAREHOLDERS' FUNDS

|  | 2007<br>£000 | 2006<br>£000 |
|--|--------------|--------------|
| Profit for the financial year  | 13 225       | 10 750       |
| Dividends in respect of prior years  | ( 17 000 )   | -            |
| Actuarial gains and losses recognised in the pension schemes net of deferred tax | ( 706 )      | 7 206        |
| Net (reduction)/increase to shareholders' funds                                  | ( 4 481 )    | 17 956       |
| Opening shareholders' funds  | 57 256       | 39 300       |
| Closing shareholders' funds  | 52 775       | 57 256       |

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)****19 LEASE OBLIGATIONS**

At 31 December 2007 the company had annual commitments under operating leases as follows

|                            | <b>2007<br/>Land and<br/>buildings<br/>£000</b> | <b>2007<br/>Other<br/>£000</b> | <b>2006<br/>Land and<br/>buildings<br/>£000</b> | <b>2006<br/>Other<br/>£000</b> |
|----------------------------|---|--------------------------------|---|--------------------------------|
| Expiry date:               |   |                                |   |                                |
| Within 1 year              | 62  | 142                            | 7   | 133                            |
| Between two and five years | -   | 369                            | -   | 311                            |
| After 5 years              | 138   | 15                             | 91  | -                              |
|                            | <u>200</u>                                      | <u>526</u>                     | <u>98</u>                                       | <u>444</u>                     |

**20 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

At 31 December 2007 capital expenditure contracts totalling £171 000 (2006 - £96 000) 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 2007 (CONTINUED)

## 21 PENSION LIABILITIES

## Pension Costs and Other Post-Retirement Benefits

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 last actuarial valuation was reworked at 31 December 2007 on a set of assumptions consistent with those required under FRS 17 by a qualified independent actuary. The major assumptions used by the actuary were

|  | 31 December<br>2007<br>% pa | 31 December<br>2006<br>% pa | 31 December<br>2005<br>% pa |
|--|-----------------------------|-----------------------------|-----------------------------|
| Discount rate                                  | 5.8%                        | 5.2%                        | 5.0%                        |
| Price Inflation                                | 3.4%                        | 3.1%                        | 2.8%                        |
| Increases to pensionable pay                   | 3.6%                        | 3.4%                        | 4.3%                        |
| Increases to pensionable pay Executives plan   | 5.0%                        | 4.9%                        | 4.3%                        |
| Increases to pensions in payment:              |                             |                             |                             |
| - Pre April 1997 – Main plan                   | nil                         | nil                         | nil                         |
| - 6 April 1997 to 5 April 2007 – Main plan     | 3.4%                        | 3.1%                        | 2.8%                        |
| - Post 6 April 2007 – Main plan                | 2.5%                        | n/a                         | n/a                         |
| - Pre April 1997 – Executives plan             | 2.5%                        | 2.5%                        | 2.5%                        |
| - Post April 1997 – Executive plan             | 3.4%                        | 3.1%                        | 2.8%                        |
| Pre-retirement increases for deferred pensions | 3.4%                        | 3.1%                        | 2.8%                        |
| Mortality – Main plan                          | PXA92B                      | PXA92 C2010                 | PXA92C2010                  |
| Mortality – Executives plan                    | PXA92Bmc                    | PXA92 C2010                 | PXA92 C2010                 |

## Main Plan

The assets and the expected rate of return in respect of the Main Plan were:

|            | 31 December 2007<br>£000 | % pa | 31 December 2006<br>£000 | % pa | 31 December 2005<br>£000 | % pa |
|------------|--------------------------|------|--------------------------|------|--------------------------|------|
| Equities   | 35 673                   | 8.25 | 45 276                   | 8.00 | 40 073                   | 7.50 |
| Bonds      | 49 827                   | 4.40 | 46 072                   | 4.80 | 46 695                   | 4.50 |
| Property   | 8 564                    | 5.90 | nil                      | n/a  | nil                      | n/a  |
| Cash/other | 1 222                    | 5.50 | 1 532                    | 5.00 | 452                      | 4.50 |
|            | <u>95 286</u>            |      | <u>92 880</u>            |      | <u>87 220</u>            |      |

|                        | 31 December<br>2007<br>£000 | 31 December<br>2006<br>£000 | 31 December<br>2005<br>£000 |
|------------------------|-----------------------------|-----------------------------|-----------------------------|
| Actuarial liability    | ( 102 079 )                 | ( 99 370 )                  | ( 103 051 )                 |
| Market value of assets | 95 286                      | 92 880                      | 87 220                      |
| Deficit in scheme      | <u>( 6 793 )</u>            | <u>( 6 490 )</u>            | <u>( 15 831 )</u>           |



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

## 21 PENSION LIABILITIES (CONTINUED)

## Main Plan (continued)

|  | 31 December<br>2007<br>£000 | 31 December<br>2006<br>£000 | 31 December<br>2005<br>£000 |
|--|-----------------------------|-----------------------------|-----------------------------|
| <b>Analysis of amounts charged to operating profits:</b>   |                             |                             |                             |
| Current service cost   | 2 840                       | 2 787                       | 2 867                       |
|  | <u>2 840</u>                | <u>2 787</u>                | <u>2 867</u>                |
| <b>Analysis of amounts included in other finance income:</b>   |                             |                             |                             |
| Expected return on assets  | 5 876                       | 5 110                       | 4 227                       |
| Interest on liabilities  | ( 5 156 )                   | ( 5 127 )                   | ( 5 215 )                   |
|  | <u>720</u>                  | <u>( 17 )</u>               | <u>( 988 )</u>              |
| <b>Analysis of amounts to be recognised in the statement of total recognised gains and losses:</b>   |                             |                             |                             |
| Actual return less expected return on assets   | ( 2 394 )                   | 1 105                       | 12 091                      |
| Experience gains and losses arising on liabilities   | ( 203 )                     | 1 796                       | 7 439                       |
| Changes in assumptions   | 2 208                       | 7 104                       | ( 10 281 )                  |
| Actuarial gains recognised   | <u>( 389 )</u>              | <u>10 005</u>               | <u>9 249</u>                |
| <b>Analysis of amounts to be recognised in the statement of total recognised gains and losses - expressed as a percentage of the market value of assets:</b> |                             |                             |                             |
| Actual return less expected return on assets   | ( 2.5% )                    | 1.2%                        | 13.9%                       |
| Experience gains and losses arising on liabilities   | ( 0.2% )                    | 1.9%                        | 8.5%                        |
| Changes in assumptions   | 2.3%                        | 7.6%                        | 11.8%                       |

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

## 21 PENSION LIABILITIES (CONTINUED)

## Main Plan (continued)

|   | 31 December<br>2007<br>£000 | 31 December<br>2006<br>£000 | 31 December<br>2005<br>£000 |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>Movement in deficit during the year:</b> |                             |                             |                             |
| Deficit as at start of the year             | ( 6 490 )                   | ( 15 831 )                  | ( 23 263 )                  |
| Current service cost                        | ( 2 840 )                   | ( 2 787 )                   | ( 2 867 )                   |
| Employer contributions                      | 2 206                       | 2 140                       | 2 038                       |
| Other finance income/(expense)              | 720                         | ( 17 )                      | ( 988 )                     |
| Actuarial (losses)/gains                    | ( 389 )                     | 10 005                      | 9 249                       |
| Deficit                                     | ( 6 793 )                   | ( 6 490 )                   | ( 15 831 )                  |
| Related deferred tax asset                  | 1 902                       | 1 947                       | 4 749                       |
| Net pension liability for Main Plan         | ( 4 891 )                   | ( 4 543 )                   | ( 11 082 )                  |

## A history of experience gains and losses over the year is as follows

|   | 31 December<br>2007<br>£000 | 31 December<br>2006<br>£000 | 31 December<br>2005<br>£000 | 31 December<br>2004<br>£000 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Actual return less expected return on assets                              |                             |                             |                             |                             |
| Amount  | ( 2 394 )                   | 1 105                       | 12 091                      | ( 2 257 )                   |
| Percentage of scheme assets   | ( 2.5% )                    | 1.2%                        | 13.9%                       | ( 3.2% )                    |
| Experience gains and losses on scheme liabilities                         |                             |                             |                             |                             |
| Amount  | ( 203 )                     | 1 796                       | 7 439                       | ( 3 892 )                   |
| Percentage of scheme liabilities  | ( 0.2% )                    | 1.8%                        | 7.2%                        | ( 4.2% )                    |
| Total amount recognised in statement of total recognised gains and losses |                             |                             |                             |                             |
| Amount  | ( 389 )                     | 10 005                      | 9 249                       | ( 4 958 )                   |
| Percentage of scheme liabilities  | ( 0.4% )                    | 10.1%                       | 9.0%                        | ( 5.3% )                    |

## Executives Plan

## The assets and the expected rate of return in respect of the Executives Plan were:

|            | 31 December 2007 |      | 31 December 2006 |      | 31 December 2005 |      |
|------------|------------------|------|------------------|------|------------------|------|
|            | £000             | % pa | £000             | % pa | £000             | % pa |
| Equities   | 4 449            | 8.25 | 4 651            | 8.00 | 4 263            | 7.50 |
| Bonds      | 2 618            | 4.40 | 2 187            | 4.80 | 1 936            | 4.50 |
| Cash/other | 986              | 5.50 | 483              | 5.00 | 78               | 4.50 |
|            | <u>8 053</u>     |      | <u>7 321</u>     |      | <u>6 277</u>     |      |

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

## 21 PENSION LIABILITIES (CONTINUED)

## Executives Plan (continued)

|                        | 31 December<br>2007<br>£000 | 31 December<br>2006<br>£000 | 31 December<br>2005<br>£000 |
|------------------------|-----------------------------|-----------------------------|-----------------------------|
| Actuarial liability    | ( 9 911 )                   | ( 8 898 )                   | ( 8 431 )                   |
| Market value of assets | 8 053                       | 7 321                       | 6 277                       |
| Deficit in scheme      | ( <u>1 858</u> )            | ( <u>1 577</u> )            | ( <u>2 154</u> )            |

## Analysis of amounts charged to operating profits:

|                      |            |            |            |
|----------------------|------------|------------|------------|
| Current service cost | 337        | 303        | 303        |
|                      | <u>337</u> | <u>303</u> | <u>303</u> |

## Analysis of amounts included in other finance income:

|                           |           |              |                |
|---------------------------|-----------|--------------|----------------|
| Expected return on assets | 513       | 422          | 306            |
| Interest on liabilities   | ( 465 )   | ( 423 )      | ( 452 )        |
|                           | <u>48</u> | ( <u>1</u> ) | ( <u>146</u> ) |

## Analysis of amounts to be recognised in the statement of total recognised gains and losses:

|  |                |            |            |
|--|----------------|------------|------------|
| Actual return less expected return on assets       | ( 138 )        | 277        | 1 155      |
| Experience gains and losses arising on liabilities | 81             | 14         | 177        |
| Changes in assumptions                             | ( 535 )        | ( 1 )      | ( 481 )    |
| Actuarial gains recognised                         | ( <u>592</u> ) | <u>290</u> | <u>851</u> |

## Analysis of amounts to be recognised in the statement of total recognised gains and losses - expressed as a percentage of the market value of assets:

|  |          |       |          |
|--|----------|-------|----------|
| Actual return less expected return on assets       | ( 1.7% ) | 3.78% | 18.4%    |
| Experience gains and losses arising on liabilities | 1.0%     | 0.2%  | 2.8%     |
| Changes in assumptions                             | ( 6.6% ) | nil   | ( 7.7% ) |

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)****21 PENSION ARRANGEMENTS (CONTINUED)****Executives Plan (continued)**

|   | <b>31 December<br/>2007<br/>£000</b> | <b>31 December<br/>2006<br/>£000</b> | <b>31 December<br/>2005<br/>£000</b> |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Movement in deficit during the year:</b>   |                                      |                                      |                                      |
| Deficit as at start of the year               | ( 1 577 )                            | ( 2 154 )                            | ( 2 987 )                            |
| Current service cost                          | ( 337 )                              | ( 303 )                              | ( 303 )                              |
| Employer contributions                        | 600                                  | 591                                  | 431                                  |
| Other finance income/(expense)                | 48                                   | ( 1 )                                | ( 146 )                              |
| Actuarial (losses)/gains                      | ( 592 )                              | 290                                  | 851                                  |
| Deficit                                       | ( 1 858 )                            | ( 1 577 )                            | ( 2 154 )                            |
| Related deferred tax asset                    | 520                                  | 473                                  | 646                                  |
| Net pension liability for the Executives Plan | ( 1 338 )                            | ( 1 104 )                            | ( 1 508 )                            |

**A history of experience gains and losses over the year is as follows.**

|   | <b>31 December<br/>2007<br/>£000</b> | <b>31 December<br/>2006<br/>£000</b> | <b>31 December<br/>2005<br/>£000</b> | <b>31 December<br/>2004<br/>£000</b> |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Actual return less expected return on assets:</b>                              |                                      |                                      |                                      |                                      |
| Amount  | ( 138 )                              | 277                                  | 1 155                                | ( 271 )                              |
| Percentage of scheme assets   | ( 1 7% )                             | 3 8%                                 | 18 4%                                | ( 6 0% )                             |
| <b>Experience gains and losses on scheme liabilities:</b>                         |                                      |                                      |                                      |                                      |
| Amount  | 81                                   | 14                                   | 177                                  | ( 273 )                              |
| Percentage of scheme liabilities  | 0 8%                                 | 0 2%                                 | 2 1%                                 | ( 3 6% )                             |
| <b>Total amount recognised in statement of total recognised gains and losses.</b> |                                      |                                      |                                      |                                      |
| Amount  | ( 592 )                              | 290                                  | 851                                  | ( 952 )                              |
| Percentage of scheme liabilities  | ( 6 0% )                             | 3 3%                                 | 10 1%                                | ( 12 6% )                            |

The latest actuarial assessment of the schemes was as at 6 April 2005 for the Pension Plan and 1 June 2004 for the Exec Plan, both adjusted to 31 December 2007 and further adjusted to take account of the assumptions set out above. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

It was assumed that the investment return would be 7.75% per annum pre retirement and 5.75% per annum post retirement, that salary increases would average 4.5% per annum and that present and future pensions would increase at a rate of 3% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the UK schemes were £69 800 000 for the Pension Plan and £4 500 000 for the Exec Plan and the actuarial value of the

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)****21 PENSION ARRANGEMENTS (CONTINUED)**

assets was sufficient to cover 101% for the Pension Plan and 68% for the Exec Plan of the benefits that had accrued to members, after allowing for expected future increases in earnings

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 £59 000 (2006 - £68 000) which is being funded over a period not exceeding 20 years

**22 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 2007 was SKF (U K ) Corporate Holdings 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 advantage of the exemption in FRS No 8 "Related party disclosures" not to disclose transactions with other entities, 90% or more of whose voting rights are controlled within the group headed by Aktiebolaget SKF