SKF (U.K.) LIMITED

REGISTRATION NO. 107367

DIRECTORS' REPORT AND FINANCIAL STATEMENTS WITH AUDITORS' REPORT

31 DECEMBER 2003

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

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 2003.

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 5% as the expected market recovery began to materialise during 2003. Improvements were achieved in both product and value added service divisions. During the year, the company acquired the trade and assets of Fixture-Laser Limited for a cash consideration of £150 465, and the trade and assets of MTSR Limited. The market demand for the Company's products and services is expected to improve during 2004.

Production output increased by 5% from the previous year. Growth continued in Asia Pacific whereas Europe remained at a fairly flat level.

Results for the year

Total sales for the year amounted to £102.5 million (2002 - £97.6 million). An improved level of activity has been achieved by most divisions, some experienced a more rapid growth with the award of major contracts.

The profit for the year after taxation was £10.1 million (2002 - £7.8 million). The company continues to control spend and operate good pricing policies within the market.

An interim ordinary dividend in respect of the year ended 31 December 2003, of £10.0 million (2002 - £nil), has been paid during the year. The directors recommend payment of a final ordinary dividend of £20.0 million (2002 - £nil).

Directors

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

T B Bertilsson
C F Trotman
J C McCormack (resigned 12 March 2003)
R J Law
S L Smith (appointed 5 June 2003)

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.

DIRECTORS' REPORT (CONTINUED)

Directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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 2003 of 38.2 days (2002 - 31.8 days).

DIRECTORS' REPORT (CONTINUED)

Research and Development

During 2003 the company spent £0.65 million on research and development (2002 - £0.61 million).

Charitable donations

During 2003 the company made charitable donations amounting to £4 700 (2002 - £6 298).

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.

Auditors

The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

By order of the Board

SL Smith

S L Smith
Director

Sundon Park Road
Luton
Bedfordshire
LU3 3BL

20th October 2004

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 2003 which comprise the profit and loss account, 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 auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions 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 United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

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 of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

Date: 20 October 2004

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £000	2002 £000
TURNOVER	1	102 472	97 632
COST OF SALES		(81 474)	(78 940)
GROSS PROFIT		20 998	18 692
OTHER OPERATING EXPENSES	2	(9 516)	(9 081)
OPERATING PROFIT		11 482	9 611
PROFIT ON SALE OF TANGIBLE FIXED ASSETS		896	-
PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES		12 378	9 611
INTEREST RECEIVABLE (NET)	3	796	2 084
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	13 174	11 695
TAX ON PROFIT ON ORDINARY ACTIVITIES	7	(3 100)	(3 924)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		10 074	7 771
DIVIDENDS PAID & PROPOSED	8	(30 000)	-
RETAINED (LOSS)/PROFIT FOR THE YEAR	17	(19 926)	7 771

All results are derived from continuing activities in both years.

There are no recognised gains or losses in either year other than the profit for that year. Accordingly, no statement of total recognised gains and losses has been presented.

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 £000	2002 £000
Reported profit on ordinary activities before taxation	13 174	11 695
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	90	90
Historical cost profit on ordinary activities before taxation	13 264	11 785
Historical cost (loss)/profit for the year retained after taxation and dividends	(19 836)	7 861

BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003 £000	2002 £000
FIXED ASSETS			
Tangible assets	9	13 997	15 244
Investments	10	1 136	1 146
		15 133	16 390
CURRENT ASSETS			
Stocks	11	4 164	3 752
Debtors (due within one year)	12	56 674	33 022
Debtors (due after one year)	12	-	20 126
Cash at bank and in hand		2 669	2 746
		63 507	59 646
CREDITORS - Amounts falling due within one year	13	(32 952)	(9 712)
NET CURRENT ASSETS (INCLUDING DEBTORS DUE AFTER MORE THAN ONE YEAR)		30 555	49 934
TOTAL ASSETS LESS CURRENT LIABILITIES		45 688	66 324
CREDITORS - Amounts falling due after more than one year	14	-	(20)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(1 863)	(2 553)
NET ASSETS		43 825	63 751
CAPITAL AND RESERVES			
Called-up share capital	16	37 200	37 200
Share premium account	17	1 114	1 114
Revaluation reserve	17	1 731	1 821
Profit and loss account	17	3 780	23 616
EQUITY SHAREHOLDERS' FUNDS	18	43 825	63 751

Signed on behalf of the Board

B O Hansson
Director

20th October 2004

STATEMENT OF ACCOUNTING POLICIES - 31 DECEMBER 2003

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. The company is also, on this basis, exempt from the requirements of FRS1 to present a cash flow statement.

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.

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.

STATEMENT OF ACCOUNTING POLICIES - 31 DECEMBER 2003 (CONTINUED)

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.

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.

STATEMENT OF ACCOUNTING POLICIES - 31 DECEMBER 2003 (CONTINUED)

Pension costs

Details of the company's pension schemes and related accounting policies are shown in the notes to the financial statements.

Research and development

Research and development expenditure is written off as incurred.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003

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

	2003 £000	2002 £000
Selling Costs	3 649	3 246
Administration Costs	3 725	3 440
Distribution Costs	2 142	2 395
	9 516	9 081

3 INTEREST RECEIVABLE (NET)

Investment Income	2003 £000	2002 £000
Income from fixed asset investments	100	40
Interest receivable from fellow group companies	983	2 303
Other interest receivable and similar income	27	19
	1 110	2 362

Interest Payable and Similar Charges	2003 £000	2002 £000
Bank loans and overdrafts	13	12
Interest payable to fellow group companies	301	266
	314	278

Interest Receivable (Net)	2003 £000	2002 £000
Investment income	1 110	2 362
Less: interest payable and similar charges	(314)	(278)
	796	2 084

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2003 £000	2002 £000
Depreciation and amounts written off tangible fixed assets	1 734	1 812
Research and development	647	606
Hire of plant and machinery	589	606
Auditors' remuneration for audit services	41	44
Exchange gain	(162)	(2)
Profit on disposal of tangible fixed assets	(896)	-

Amounts payable to Deloitte & Touche LLP by the company in respect of non audit services were £31 000 (2002 - £11 000) which all relates to taxation compliance services.

5 STAFF COSTS

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

	2003 Number	2002 Number
Production	293	297
Sales	76	51
Distribution	21	16
Administration	41	70
	431	434

Their aggregate remuneration comprised:

	2003 £000	2002 £000
Wages and salaries	13 016	12 388
Social security costs	1 379	1 190
Other pension costs (see note 21)	1 554	1 279
	15 949	14 857

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

6 DIRECTORS' REMUNERATION AND TRANSACTIONS

Remuneration

The remuneration of the directors was as follows:-

	2003 £000	2002 £000
Emoluments	555	368

Pensions

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

	2003 Number	2002 Number
Defined benefit schemes	4	3

The accrued pension benefit at 31 December 2003 of the highest paid director was £nil (2002 £45 911).

Highest paid director

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

	2003 £000	2002 £000
Emoluments	196	155

Loan to directors:

An unsecured non-interest bearing quasi-loan, made to Mr J McCormack, was outstanding during the year. The amount of his liability at the beginning of the year was £139, the maximum during the year was £139 and at the end of the year was nil.

7 TAXATION

	2003 £000	2002 £000
UK corporation tax	3 790	3 584
Deferred tax	(690)	340
	3 100	3 924

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

7 TAXATION (CONTINUED)

FRS 19 Tax Reconciliation

	2003 £000	2002 £000
Profit on ordinary activities before tax	13 174	11 695
Tax at 30% thereon	(3 952)	(3 509)
Expenses not deductible for tax purposes	(82)	(50)
Capital allowances in excess of depreciation	(87)	(46)
Movement in short term timing differences	59	21
UK Dividend income	3	-
Other	269	-
	(3 790)	(3 584)

8 EQUITY DIVIDENDS PAID AND PROPOSED

	2003 £000	2002 £000
Equity Shares:		
Interim dividend paid of 26.9p per ordinary share (2002 - nil p)	10 000	-
Final dividend proposed of 53.8p per ordinary share (2002 - nil p)	20 000	-
	30 000	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

9 FIXED ASSETS - TANGIBLE ASSETS

	Freehold land and buildings £000	Plant and equipment £000	Total £000
Cost or valuation			
At 1 January 2003	9 493	30 130	39 623
Additions	39	552	591
Disposals	(147)	(166)	(313)
At 31 December 2003	9 385	30 583	39 968
Depreciation			
At 1 January 2003	4 497	19 882	24 379
Charge for the year	256	1 478	1 734
Disposals	(46)	(163)	(209)
At 31 December 2003	4 707	21 264	25 971
Net book value			
At 31 December 2003	4 678	9 319	13 997
At 31 December 2002	4 996	10 248	15 244

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

	2003 £000	2002 £000
Cost	6 965	7 025
Aggregate depreciation	(3 066)	(2 946)
Net book value	3 899	4 079

Freehold land, amounting to £ 795 000 (2002 - £ 866 000) has not been depreciated.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

10 FIXED ASSETS - INVESTMENTS

	2003 £000	2002 £000
Unlisted trade investments		
- Investments in subsidiary undertakings	-	10
- Other investments (unlisted)	1 136	1 136
	1 136	1 146

Other investments comprise:

	Country of incorporation	Principal activity	Holding % and voting rights
SKF Engineering and Research Centre BV	Netherlands	Research	6%
Associated Bearing Company Limited	India	Bearing manufacture	8%

During the year the company disposed of its investment in CR Seal Services Limited.

11 STOCKS

	2003 £000	2002 £000
Raw materials and consumables	47	46
Work in progress	2 164	2 621
Finished goods	1 953	1 085
	4 164	3 752

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

12 DEBTORS

Amounts falling due within one year:	**2003 £000**	**2002 £000**
Trade debtors	10 061	7 930
Amounts owed by group undertakings	45 458	24 863
Other debtors	143	78
Prepayments and accrued income	1 012	151
	56 674	33 022

Amounts falling due after more than one year:	**2003 £000**	**2002 £000**
Amounts owed by group undertakings	-	20 126

13 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £000	**2002 £000**
Trade creditors	1 852	1 264
Amounts owed to group undertakings	6 244	4 366
Other taxation and social security	435	375
UK corporation tax payable	483	403
Dividend creditor	20 000	-
Other creditors	1 182	389
Accruals and deferred income	2 756	2 915
	32 952	9 712

14 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £000	**2002 £000**
Amounts owed to group undertakings	-	20

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

15 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation	2003 £000	2002 £000
At 1 January 2003	2 553	844
(Credited)/charged to the profit and loss account	(690)	340
Advance corporation tax	-	1 369
At 31 December 2003	1 863	2 553

Deferred taxation provided is as follows:

	2003 £000	2002 £000
Fixed asset timing differences	2 350	2 631
Other timing differences	(487)	(78)
	1 863	2553

There is no unprovided deferred tax.

16 CALLED-UP SHARE CAPITAL

	2003 £000	2002 £000
Authorised, allotted, called-up and fully paid		
37,200,000 ordinary shares of £1 each	37 200	37 200

17 RESERVES

	Share premium £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 2003	1 114	1 821	23 616	26 551
Retained loss for the year	-	-	(19 926)	(19 926)
Transfer of reserves	-	(90)	90	-
At 31 December 2003	1 114	1 731	3 780	6 625

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

18 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2003 £000	2002 £000
(Loss)/profit for the financial year	(19 926)	7 771
Net (reduction)/addition to equity shareholders' funds	(19 926)	7 771
Opening equity shareholders' funds	63 751	55 980
Closing equity shareholders' funds	43 825	63 751

19 LEASE OBLIGATIONS

At 31 December 2003 the company had annual commitments under operating leases as follows:

	2003 Land and buildings £000	2003 Other £000	2002 Land and buildings £000	2002 Other £000
Expiry date:				
Within 1 year	-	137	-	124
Between two and five years	18	262	-	237
After 5 years	-	-	18	-
	18	399	18	361

Leases on land and buildings are subject to rent reviews

20 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

1) At 31 December 2003 capital expenditure contracts have been placed for £26 000 (2002 - £316 000).

2) The company has no contingent liabilities in respect of guaranteed loans of fellow SKF subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

21 PENSION ARRANGEMENTS

Pension Costs and Other Post-Retirement Benefits

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are either externally funded, with the assets of the scheme held separately from those of the group in separate trustee administered funds, or are unfunded. Differences between amounts charged to the profit and loss accounts funded or paid directly to members of unfunded schemes are shown as either provisions or prepayments in the balance sheet.

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.

Additional disclosures regarding the company's defined benefit pension schemes are required under the transitional provisions of FRS 17 "Retirement Benefits" and these are set out below. The disclosures relate to the second year of the transitional provisions. They provide information which will be necessary for the full implementation of FRS 17.

A full actuarial valuation was carried out at 31 December 2003 by a qualified independent actuary. The major assumptions used by the actuary were:

	Pension Plan 2003 % pa	Executive Plan 2003 % pa	Pension Plan 2002 % pa	Executive Plan 2002 % pa
Discount rate	5.8%	5.8%	5.6%	5.6%
Increases to salaries	3.5%	3.5%	3.5%	3.5%
Increases to pensions in payment	2.7%	2.7%	2.3%	2.3%
Price inflation	2.7%	2.7%	2.3%	2.3%

The assets in the scheme and the expected rate of return were:

	Long Term Rate of Return Expected at 31.12.03 %pa	Long Term Rate of Return Expected at 31.12.02 % pa	Pension Plan Value at 31.12.03 £000	Executive Plan Value at 31.12.03 £000	Pension Plan Value at 31.12.02 £000	Executive Plan Value at 31.12.02 £000
Equities	7.5%	7.5%	26 852	3 053	19 176	2 767
Bonds	5.5%	5.0%	38 488	1 318	41 362	1 216
Cash/other	3.75%	4.0%	2 830	115	2 635	143
Total			68 170	4 486	63 173	4 126

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

21 PENSION ARRANGEMENTS (CONTINUED)

	Pension Plan 2003 £000	Executive Plan 2003 £000	Pension Plan 2002 £000	Executive Plan 2002 £000
Actuarial liability	(84 564)	(6 354)	(78 400)	(5 740)
Market value of assets	68 170	4 486	63 173	4 126
Deficit in scheme	(16 394)	(1 868)	(15 227)	(1 614)

Analysis of amounts that would have been charges to operating profits:

Current service cost	1 940	220	1 272	273
Past service cost	-	-	-	-
	1 940	220	1 272	273

Analysis of amounts that would have been included in other finance income:

Expected return on assets	3 604	276	4 354	293
Interest on liabilities	(4 370)	(320)	(4 008)	(310)
Net return	(766)	(44)	346	(17)

Analysis of amounts that would have been recognised in the statement of total recognised gains and losses:

Actual return less expected return on assets	1 696	28	(8 509)	(713)
Experience gains and losses arising on liabilities	(3 350)	148	(8 068)	(137)
Changes in assumptions	1 595	(400)	513	5
Actuarial loss recognised	(59)	(224)	(16 064)	(845)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

21 PENSION ARRANGEMENTS (CONTINUED)

Analysis of amounts that would have been recognised in the statement of total recognised gains and losses - expressed as a percentage of the present value of assets:

	Pension Plan 2003	Executive Plan 2003	Pension Plan 2002	Executive Plan 2002
Actual return less expected return on assets	2.5%	0.6%	(13.5%)	(17.3%)
Experience gains and losses arising on liabilities	(4.9%)	3.3%	(12.8%)	(3.3%)
Changes on assumptions	2.3%	(8.9%)	0.8%	0.1%
	(0.1%)	(5.0%)	(25.5%)	(20.5%)

Movement in (deficit)/surplus during the year:

	Pension Plan 2003 £000	Executive Plan 2003 £000	Pension Plan 2002 £000	Executive Plan 2002 £000
(Deficit)/surplus as at 31 December 2002	(15 227)	(1 614)	878	(717)
Current service cost	(1 940)	(220)	(1 272)	(273)
Employer contributions	1 598	234	885	238
Other finance income	(766)	(44)	346	(17)
Actuarial loss	(59)	(224)	(16 064)	(845)
	(16 394)	(1 868)	(15 227)	(1 614)

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 £117 000 (2002 - £139 000) 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 is SKF Investments 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.