

**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.

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**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).

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice. This ensures transparency and allows for easy verification of the data.

In the second section, the author details the various methods used to collect and analyze the data. This includes both primary and secondary data collection techniques. The analysis focuses on identifying trends and patterns over time, which is crucial for making informed decisions.

The third part of the report presents the findings of the study. It highlights several key areas where significant changes have occurred. These findings are supported by statistical data and visual representations, such as charts and graphs, which make the information more accessible and understandable.

Based on the findings, the author provides a series of recommendations for future actions. These suggestions are designed to address the identified issues and capitalize on the opportunities. The recommendations are practical and actionable, providing a clear path forward for the organization.

Finally, the document concludes with a summary of the overall objectives and the results achieved. It reiterates the importance of the data and the value of the insights gained. The author expresses confidence in the future and the potential for continued growth and success.

**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



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

Sundon Park Road  
Luton  
Bedfordshire  
LU3 3BL

20th October 2004

1. The first part of the document discusses the importance of maintaining accurate records.

2. This section outlines the various methods used to collect and analyze data.

3. The results of the study are presented in the following table.

4. The data shows a significant correlation between the variables studied.

5. It is concluded that the findings have important implications for the field.

6. Further research is needed to explore these relationships in greater detail.

7. The authors would like to thank the funding agency for their support.

8. The authors are also grateful to the participants who provided their time and effort.

9. The study was conducted in accordance with ethical guidelines.

10. The authors have no conflicts of interest to declare.

11. The document is available for review upon request.

12. The authors are available for contact at the following address.

13. The study was published in the journal of Applied Psychology.

14. The research was supported by a grant from the National Science Foundation.

15. The authors are grateful to the reviewers for their helpful comments.

16. The document is subject to copyright protection.

## **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.

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that this is essential for ensuring transparency and accountability in the organization's operations.

2. The second part of the document outlines the various methods and techniques used to collect and analyze data. It highlights the need for a systematic approach to data collection and the importance of using reliable sources of information.

3. The third part of the document focuses on the analysis and interpretation of the collected data. It discusses the various statistical and analytical tools that can be used to identify trends and patterns in the data.

4. The fourth part of the document discusses the implications of the findings and the need for further research. It emphasizes that the results of the study should be used to inform decision-making and to guide the development of policies and procedures.

5. The fifth part of the document provides a summary of the key findings and conclusions of the study. It highlights the main points of the research and the implications of the findings for the organization and the industry.

6. The sixth part of the document discusses the limitations of the study and the need for further research. It identifies the areas where the study was limited and the need for more comprehensive research in the future.

7. The seventh part of the document provides a list of references and sources used in the study. It includes books, articles, and other publications that are relevant to the research.

8. The eighth part of the document provides a list of appendices and supplementary materials. It includes data tables, charts, and other materials that are used to support the findings of the study.

9. The ninth part of the document provides a list of acknowledgments and thanks. It expresses gratitude to the individuals and organizations that provided support and assistance during the course of the study.

10. The tenth part of the document provides a list of contact information for the author and other relevant parties. It includes email addresses, phone numbers, and other contact details.

**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.

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2. The second part of the document outlines the various methods and tools used to collect and analyze data. It highlights the need for consistent data collection procedures and the use of advanced analytical techniques to derive meaningful insights from the data.

3. The third part of the document focuses on the implementation of data-driven decision-making processes. It describes how the organization uses the insights gained from data analysis to inform strategic planning and operational decisions, leading to improved performance and efficiency.

4. The fourth part of the document addresses the challenges and risks associated with data management and analysis. It discusses the importance of data security, privacy, and the need for robust governance frameworks to mitigate these risks and ensure the integrity of the data.

5. The final part of the document provides a summary of the key findings and recommendations. It reiterates the importance of a data-driven approach and offers practical suggestions for how the organization can continue to improve its data management and analysis practices.

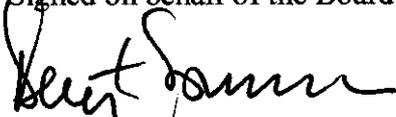
**NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED  
31 DECEMBER 2003**

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

## BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003 £000	2002 £000
<b>FIXED ASSETS</b>			
Tangible assets	9	13 997	15 244
Investments	10	1 136	1 146
		<u>15 133</u>	<u>16 390</u>
<b>CURRENT ASSETS</b>			
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
		<u>63 507</u>	<u>59 646</u>
<b>CREDITORS - Amounts falling due within one year</b>	13	( 32 952 )	( 9 712 )
<b>NET CURRENT ASSETS (INCLUDING DEBTORS DUE AFTER MORE THAN ONE YEAR)</b>		<u>30 555</u>	<u>49 934</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		45 688	66 324
<b>CREDITORS - Amounts falling due after more than one year</b>	14	-	( 20 )
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	( 1 863 )	( 2 553 )
<b>NET ASSETS</b>		<u>43 825</u>	<u>63 751</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	1 731	1 821
Profit and loss account	17	3 780	23 616
<b>EQUITY SHAREHOLDERS' FUNDS</b>	18	<u>43 825</u>	<u>63 751</u>

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.

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that this is essential for ensuring transparency and accountability in the organization's operations.

2. The second part outlines the various methods and tools used to collect and analyze data. This includes the use of surveys, interviews, and focus groups to gather qualitative information, as well as the application of statistical techniques to quantitative data.

3. The third part of the document focuses on the interpretation of the collected data. It provides a detailed analysis of the findings, highlighting key trends and patterns that have emerged from the research. This analysis is supported by relevant statistical tests and confidence intervals.

4. The final part of the document discusses the implications of the research findings. It identifies the key areas where the organization's performance can be improved and provides specific recommendations for action. These recommendations are based on the evidence gathered during the study and are designed to be practical and achievable.

**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

	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
Selling Costs	3 649	3 246
Administration Costs	3 725	3 440
Distribution Costs	2 142	2 395
	<u>9 516</u>	<u>9 081</u>

## 3 INTEREST RECEIVABLE (NET)

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

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

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

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes the need for transparency and accountability in financial reporting.

2. The second part of the document outlines the various methods and techniques used to collect and analyze data. It includes a detailed description of the experimental procedures and the statistical tools employed.

3. The third part of the document presents the results of the study, showing the trends and patterns observed in the data. It includes several tables and graphs to illustrate the findings.

4. The fourth part of the document discusses the implications of the findings and provides recommendations for future research. It highlights the need for further exploration in this area.

5. The fifth part of the document concludes the study, summarizing the key points and reiterating the significance of the research. It expresses the hope that the findings will be useful to the field.

6. The sixth part of the document provides a list of references and sources used in the study. It includes books, articles, and other relevant materials.

7. The seventh part of the document contains the author's contact information and a statement of acknowledgment. It expresses gratitude to the individuals and organizations that supported the research.

8. The eighth part of the document is a declaration of the author's originality and a statement of the work's contribution to the field. It includes a signature and date.

9. The ninth part of the document is a final summary and a closing statement. It reiterates the main findings and the author's commitment to the field.

## 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:-

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
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:-

	<b>2003</b>	<b>2002</b>
	<b>Number</b>	<b>Number</b>
Production	293	297
Sales	76	51
Distribution	21	16
Administration	41	70
	<u>431</u>	<u>434</u>

Their aggregate remuneration comprised:

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



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

**6 DIRECTORS' REMUNERATION AND TRANSACTIONS****Remuneration**

The remuneration of the directors was as follows:-

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Emoluments	555	368
	<u>555</u>	<u>368</u>

**Pensions**

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

	<b>2003</b>	<b>2002</b>
	<b>Number</b>	<b>Number</b>
Defined benefit schemes	4	3
	<u>4</u>	<u>3</u>

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:-

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Emoluments	196	155
	<u>196</u>	<u>155</u>

**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**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
UK corporation tax	3 790	3 584
Deferred tax	( 690 )	340
	<u>3 100</u>	<u>3 924</u>

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

## 7 TAXATION (CONTINUED)

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
FRS 19 Tax Reconciliation		
Profit on ordinary activities before tax	13 174	11 695
	<u>          </u>	<u>          </u>
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	-
	<u>( 3 790 )</u>	<u>( 3 584 )</u>

## 8 EQUITY DIVIDENDS PAID AND PROPOSED

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
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	-
	<u>30 000</u>	<u>          </u>

## 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
<b>Cost or valuation</b>			
At 1 January 2003	9 493	30 130	39 623
Additions	39	552	591
Disposals	( 147 )	( 166 )	( 313 )
	<hr/>	<hr/>	<hr/>
At 31 December 2003	9 385	30 583	39 968
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 2003	4 497	19 882	24 379
Charge for the year	256	1 478	1 734
Disposals	( 46 )	( 163 )	( 209 )
	<hr/>	<hr/>	<hr/>
At 31 December 2003	4 707	21 264	25 971
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2003	<u>4 678</u>	<u>9 319</u>	<u>13 997</u>
At 31 December 2002	<u>4 996</u>	<u>10 248</u>	<u>15 244</u>

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 )
	<hr/>	<hr/>
Net book value	<u>3 899</u>	<u>4 079</u>

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
<b>Unlisted trade investments</b>		
- Investments in subsidiary undertakings	-	10
- Other investments (unlisted)	1 136	1 136
	<u>1 136</u>	<u>1 146</u>

**Other investments comprise:**

	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Holding % and voting rights</b>
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
	<u>4 164</u>	<u>3 752</u>

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

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
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
	<u>56 674</u>	<u>33 022</u>
	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due after more than one year:</b>		
Amounts owed by group undertakings	-	20 126
	<u>-</u>	<u>20 126</u>

## 13 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
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
	<u>32 952</u>	<u>9 712</u>

## 14 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Amounts owed to group undertakings	-	20
	<u>-</u>	<u>20</u>

1. The first part of the report deals with the general situation of the country and the progress of the work during the year.

2. The second part of the report deals with the work done in the various departments during the year.

3. The third part of the report deals with the work done in the various departments during the year.

4. The fourth part of the report deals with the work done in the various departments during the year.

5. The fifth part of the report deals with the work done in the various departments during the year.

6. The sixth part of the report deals with the work done in the various departments during the year.

7. The seventh part of the report deals with the work done in the various departments during the year.

8. The eighth part of the report deals with the work done in the various departments during the year.

9. The ninth part of the report deals with the work done in the various departments during the year.

10. The tenth part of the report deals with the work done in the various departments during the year.

11. The eleventh part of the report deals with the work done in the various departments during the year.

12. The twelfth part of the report deals with the work done in the various departments during the year.

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

## 15 PROVISIONS FOR LIABILITIES AND CHARGES

	2003 £000	2002 £000
<b>Deferred Taxation</b>		
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	<u>1 863</u>	<u>2 553</u>

Deferred taxation provided is as follows:

	2003 £000	2002 £000
Fixed asset timing differences	2 350	2 631
Other timing differences	( 487 )	( 78 )
	<u>1 863</u>	<u>2 553</u>

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	<u>37 200</u>	<u>37 200</u>

## 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	<u>1 114</u>	<u>1 731</u>	<u>3 780</u>	<u>6 625</u>

## 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	<u>43 825</u>	<u>63 751</u>

## 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	-
	<u>18</u>	<u>399</u>	<u>18</u>	<u>361</u>

Leases on land and buildings are subject to rent reviews

## 20 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

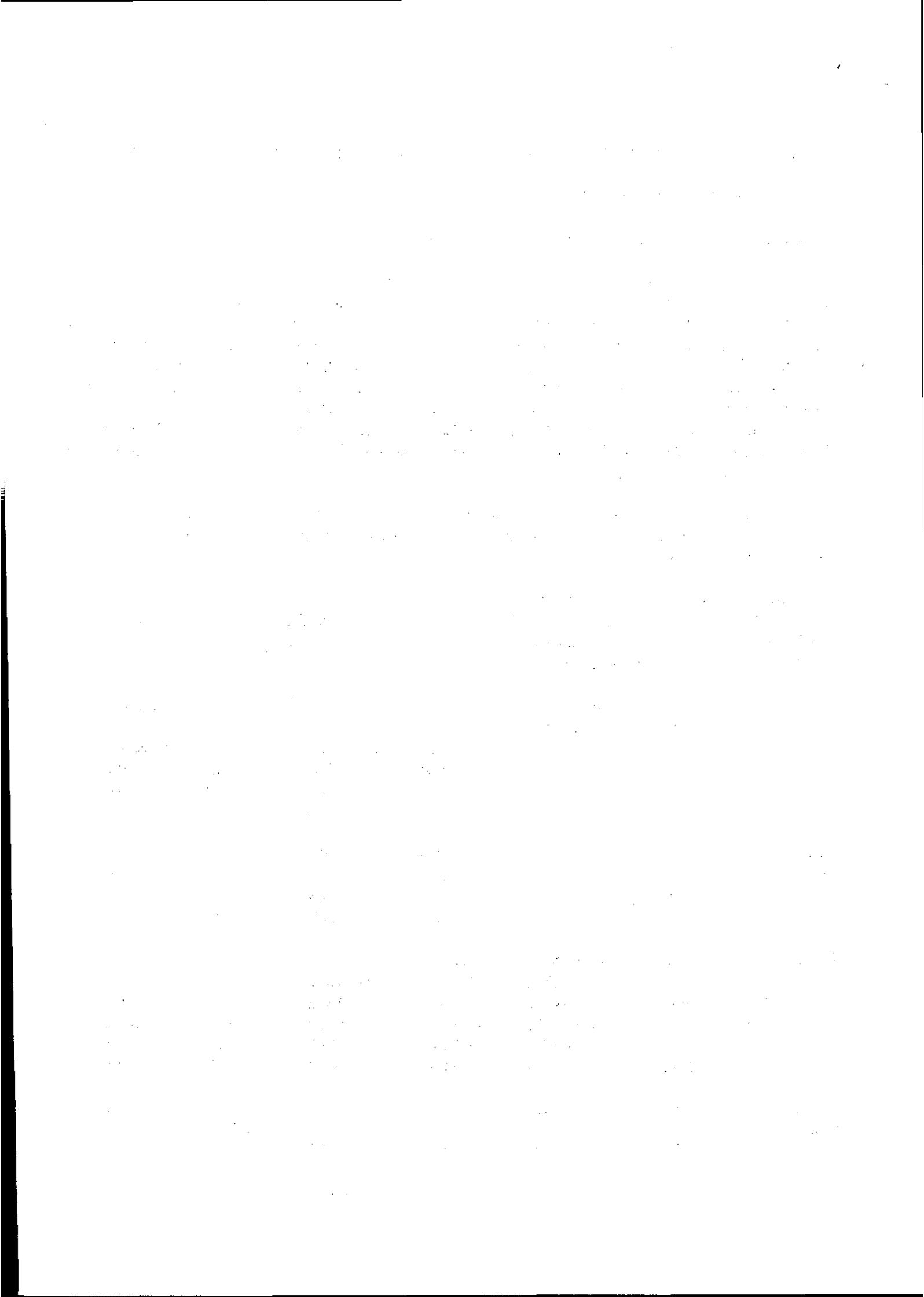
Additional disclosures regarding the company's defined benefit pension schemes are required under the transitional provisions of FRS 17 "Retirement Benefits" and these are set out below. The disclosures relate to the second year of the transitional provisions. They provide information which will be necessary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

	<b>Pension Plan 2003 % pa</b>	<b>Executive Plan 2003 % pa</b>	<b>Pension Plan 2002 % pa</b>	<b>Executive Plan 2002 % pa</b>
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:

	<b>Long Term Rate of Return Expected at 31.12.03 %pa</b>	<b>Long Term Rate of Return Expected at 31.12.02 % pa</b>	<b>Pension Plan Value at 31.12.03 £000</b>	<b>Executive Plan Value at 31.12.03 £000</b>	<b>Pension Plan Value at 31.12.02 £000</b>	<b>Executive Plan Value at 31.12.02 £000</b>
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			<u>68 170</u>	<u>4 486</u>	<u>63 173</u>	<u>4 126</u>



## 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	<u>( 16 394 )</u>	<u>( 1 868 )</u>	<u>( 15 227 )</u>	<u>( 1 614 )</u>

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

Current service cost	1 940	220	1 272	273
Past service cost	-	-	-	-
	<u>1 940</u>	<u>220</u>	<u>1 272</u>	<u>273</u>

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	<u>( 766 )</u>	<u>( 44 )</u>	<u>346</u>	<u>( 17 )</u>

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	<u>( 59 )</u>	<u>( 224 )</u>	<u>( 16 064 )</u>	<u>( 845 )</u>

## 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:

	<b>Pension Plan 2003</b>	<b>Executive Plan 2003</b>	<b>Pension Plan 2002</b>	<b>Executive Plan 2002</b>
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%
	<u>( 0.1% )</u>	<u>( 5.0% )</u>	<u>( 25.5% )</u>	<u>( 20.5% )</u>

Movement in (deficit)/surplus during the year:

	<b>Pension Plan 2003 £000</b>	<b>Executive Plan 2003 £000</b>	<b>Pension Plan 2002 £000</b>	<b>Executive Plan 2002 £000</b>
(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 )
	<u>( 16 394 )</u>	<u>( 1 868 )</u>	<u>( 15 227 )</u>	<u>( 1 614 )</u>

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.

1. The first part of the document discusses the importance of maintaining accurate records.

2. It is essential to ensure that all data is entered correctly and consistently.

3. Regular audits should be conducted to verify the accuracy of the information.

4. Proper labeling and organization of files are crucial for easy retrieval.

5. Security measures should be implemented to protect sensitive data from unauthorized access.

6. Training staff on data management procedures is a key component of success.

7. The second part of the document outlines the specific steps for data entry.

8. Each record should be reviewed for completeness before being finalized.

9. Errors should be identified and corrected immediately to maintain data integrity.

10. Consistent use of abbreviations and codes helps streamline the data entry process.

11. The third part of the document provides a detailed overview of the system's capabilities.

12. The system is designed to be user-friendly and efficient.

13. It offers various reporting options to analyze the collected data.

14. The system also includes a search function to quickly locate specific records.

15. The fourth part of the document discusses the future plans for the system.

16. We intend to expand the system's functionality to include more advanced features.

17. This will allow for more comprehensive data analysis and reporting.

18. We are committed to providing the highest quality service to our users.

19. Your feedback is valuable and will be used to improve the system.

20. Thank you for your time and attention.

21. We look forward to continuing our partnership with you.

22. Sincerely,  
[Signature]