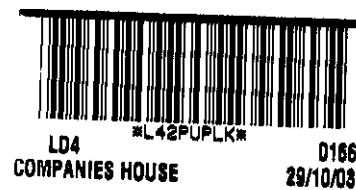


SKF (U.K.) LIMITED

REGISTRATION NO. 107367

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
WITH AUDITORS' REPORT**

31 DECEMBER 2002



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

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 2002.

Principal activity

The company's principal activity is the manufacture and sale of ball and roller bearings.

Business review and future prospects

The recovery expected for 2002 did not materialise, rather there was a decline in sales to the UK domestic market. However, there are signs that the recovery will occur in 2003 resulting in a slight increase in domestic sales.

Production output was at the same level as the previous year, with good growth in sales to USA and South East Asia, somewhat compensated by low activity in Europe.

Subsequent events

Subsequent to the year end the company acquired the trade and net assets of MTSR Limited, a fellow subsidiary undertaking, for consideration of £649 212.

Results for the year

Total sales for the year amounted to £97.6 million (2001 - £103.2 million) as a result of the continued decline of the UK market combined with the impact of central purchasing functions being located overseas.

The profit for the year after taxation was £7.8 million (2001 - £3.3 million). The company continues to maintain strict controls over costs and has obtained higher prices in some markets.

No interim ordinary dividend in respect of the year ended 31 December 2002 has been paid during the year (2001 - £nil). The directors do not recommend payment of a final ordinary dividend (2001 - £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 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

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 2002 of 31.8 days (2001 - 35.3 days).

Research and Development

During 2002 the company spent £0.61 million on research and development (2001 - £0.69 million).

DIRECTORS' REPORT (CONTINUED)

Charitable donations

During 2002 the company made charitable donations amounting to £6 298 (2001 - £1 437).

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

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership, incorporated under the limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. 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



P Jones
Company Secretary

Sundon Park Road
Luton
Bedfordshire
LU3 3BL

Date: 24th October 2003

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 2002 which comprise the profit and loss account, the balance sheet, the note of historical cost profits and losses, 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 2002 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: 24th October 2003

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £000	2001 £000
TURNOVER	1	97 632	103 234
COST OF SALES		(78 940)	(89 299)
GROSS PROFIT		18 692	13 935
OTHER OPERATING EXPENSES	2	(9 081)	(11 320)
OPERATING PROFIT		9 611	2 615
FINANCE INCOME (NET)	3	2 084	2 331
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	11 695	4 946
TAX ON PROFIT ON ORDINARY ACTIVITIES	7	(3 924)	(1 694)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		7 771	3 252
RETAINED PROFIT FOR THE YEAR	16	7 771	3 252

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 2002**

	2002	2001
	£000	£000
Reported profit on ordinary activities before taxation	11 695	4 946
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	<u>11 785</u>	<u>5 036</u>
Historical cost profit for the year retained after taxation and dividends	<u>7 861</u>	<u>3 342</u>

BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	2002 £000	2001 £000
FIXED ASSETS			
Tangible assets	8	15 244	16 537
Investments	9	1 146	1 145
		<u>16 390</u>	<u>17 682</u>
CURRENT ASSETS			
Stocks	10	3 752	4 657
Debtors (due within one year)	11	33 022	66 425
Debtors (due after one year)	11	20 126	-
Cash at bank and in hand		2 746	3 039
		<u>59 646</u>	<u>74 121</u>
CREDITORS - Amounts falling due within one year	12	(9 712)	(34 979)
NET CURRENT ASSETS (INCLUDING DEBTORS DUE AFTER MORE THAN ONE YEAR)		<u>49 934</u>	<u>39 142</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		66 324	56 824
CREDITORS - Amounts falling due after more than one year	13	(20)	-
PROVISIONS FOR LIABILITIES AND CHARGES	14	(2 553)	(844)
NET ASSETS		<u>63 751</u>	<u>55 980</u>
CAPITAL AND RESERVES			
Called-up share capital	15	37 200	37 200
Share premium account	16	1 114	1 114
Revaluation reserve	16	1 821	1 911
Profit and loss account	16	23 616	15 755
EQUITY SHAREHOLDERS' FUNDS		<u>63 751</u>	<u>55 980</u>

Signed on behalf of the Board



S L Smith
Director

Date: 24th October 2003

STATEMENT OF ACCOUNTING POLICIES - 31 DECEMBER 2002

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, with the exception of the accounting policy for deferred tax as described below.

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 2002 (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.

During the period the company has changed its accounting policy in relation to deferred tax in order to comply with Financial Reporting Standard 19 "Deferred Tax". This change in accounting policy does not have any impact on the reported financial statements for the year ended 31 December 2001. As a result, no prior period restatement is required.

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 2002 (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 2002

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

	2002 £000	2001 £000
Selling Costs	3 246	3 875
Administration Costs	3 440	4 596
Distribution Costs	2 395	2 849
	<u>9 081</u>	<u>11 320</u>

3 FINANCE INCOME (NET)

	2002 £000	2001 £000
Investment Income		
Income from fixed asset investments	40	42
Interest receivable from fellow group companies	2 303	2 499
Other interest receivable and similar income	19	60
	<u>2 362</u>	<u>2 601</u>

	2002 £000	2001 £000
Interest Payable and Similar Charges		
Bank loans and overdrafts	12	15
Interest payable to fellow group companies	266	255
	<u>278</u>	<u>270</u>

	2002 £000	2001 £000
Finance Income (Net)		
Investment income	2 362	2 601
Less: interest payable and similar charges	(278)	(270)
	<u>2 084</u>	<u>2 331</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002 £000	2001 £000
The profit on ordinary activities before taxation is stated after charging/(crediting) the following:-		
Depreciation and amounts written off tangible fixed assets	1 812	1 956
Research and development	606	686
Hire of plant and machinery	606	552
Auditors' remuneration for audit services	44	40
Exchange (gain)/loss	(2)	112

Amounts payable to Deloitte & Touche LLP by the company in respect of non audit services were £11 000 (2001 - £38 000) which all relates to taxation compliance services.

5 STAFF COSTS

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

	2002 Number	2001 Number
Production	297	304
Sales	51	50
Distribution	16	19
Administration	70	61
	<u>434</u>	<u>434</u>

Their aggregate remuneration comprised:

	2002 £000	2001 £000
Wages and salaries	12 388	12 921
Social security costs	1 190	1 264
Other pension costs (see note 20)	1 279	981
	<u>14 857</u>	<u>15 166</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

6 DIRECTORS' REMUNERATION AND TRANSACTIONS

Remuneration

The remuneration of the directors was as follows:-

	2002 £000	2001 £000
Emoluments	368	344

Pensions

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

	2002 Number	2001 Number
Defined benefit schemes	3	3

The accrued pension benefit at 31 December 2002 of the highest paid director was £ 45,911 (2001 £38 024).

Highest paid director

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

	2002 £000	2001 £000
Emoluments	155	132

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 £2 222, the maximum during the year was £2 222 and at the end of the year was £139. This amount has now been repaid.

7 TAXATION

	2002 £000	2001 £000
UK corporation tax	3 584	1 793
Deferred tax	340	(99)
	3 924	1 694

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

7 TAXATION (CONTINUED)

FRS 19 Tax Reconciliation	£000
Profit on ordinary activities before tax	11 695
	<u> </u>
Tax at 30% thereon	(3 509)
Expenses not deductible for tax purposes	(50)
Capital allowances in excess of depreciation	(46)
Movement in short term timing differences	21
	<u>(3 584)</u>

8 FIXED ASSETS - TANGIBLE ASSETS

	Freehold land and buildings £000	Plant and equipment £000	Total £000
Cost or valuation			
At 1 January 2002	9 403	29 821	39 224
Additions	90	448	538
Disposals	-	(139)	(139)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2002	9 493	30 130	39 623
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 1 January 2002	4 240	18 447	22 687
Charge for the year	257	1 555	1 812
Disposals	-	(120)	(120)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2002	4 497	19 882	24 379
	<u> </u>	<u> </u>	<u> </u>
Net book value			
At 31 December 2002	<u>4 996</u>	<u>10 248</u>	<u>15 244</u>
At 31 December 2001	<u>5 163</u>	<u>11 374</u>	<u>16 537</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

8 FIXED ASSETS - TANGIBLE ASSETS (CONTINUED)

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

	2002 £000	2001 £000
Cost	7 025	6 935
Aggregate depreciation	(2 946)	(2 780)
	<u>4 079</u>	<u>4 155</u>
Net book value		

Freehold land, amounting to £ 866 000 (2001 - £ 866 000) has not been depreciated.

9 FIXED ASSETS - INVESTMENTS

	2002 £000	2001 £000
Unlisted trade investments		
- Investments in subsidiary undertakings	10	10
- Other investments (unlisted)	1 136	1 135
	<u>1 146</u>	<u>1 145</u>

	Country of incorporation	Principal activity	Holding % and voting rights
CR Seal Services Limited	Great Britain	Dormant	100%
SKF Engineering and Research Centre BV	Netherlands	Research	6%
Associated Bearing Company Limited	India	Bearing manufacture	9%

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

10 STOCKS

	2002 £000	2001 £000
Raw materials and consumables	46	50
Work in progress	2 621	2 477
Finished goods	1 085	2 130
	<u>3 752</u>	<u>4 657</u>

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

11 DEBTORS

	2002 £000	2001 £000
Amounts falling due within one year:		
Trade debtors	7 930	9 730
Amounts owed by group undertakings	24 863	55 691
UK corporation tax receivable	-	10
Other debtors	78	139
Prepayments and accrued income	151	855
	<u>33 022</u>	<u>66 425</u>

	2002 £000	2001 £000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>20 126</u>	<u>-</u>

12 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £000	2001 £000
Trade creditors	1 264	1 383
Amounts owed to group undertakings	4 366	27 985
Other taxation and social security	375	363
UK corporation tax payable	403	-
Other creditors	389	825
Accruals and deferred income	2 915	4 423
	<u>9 712</u>	<u>34 979</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

13 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £000	2001 £000
Amounts owed to group undertakings	20	-

14 PROVISIONS FOR LIABILITIES AND CHARGES

	2002 £000	2001 £000
Deferred Taxation		
At 1 January 2002	844	943
Charged/(credited) to the profit and loss account	340	(99)
Advanced corporation tax	1 369	-
At 31 December 2002	2 553	844

Deferred taxation provided is as follows:

	2002 £000	2001 £000
Fixed asset timing differences	2 631	2 312
Other timing differences	(78)	(1 468)
	2 553	844

There is no unprovided deferred tax.

15 CALLED-UP SHARE CAPITAL

	2002 £000	2001 £000
Authorised, allotted, called-up and fully paid		
37,200,000 ordinary shares of £1 each	37 200	37 200

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

16 RESERVES

	Share premium £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 2002	1 114	1 911	15 755	18 780
Retained profit for the year	-	-	7 771	7 771
Transfer of reserves	-	(90)	90	-
	<u>1 114</u>	<u>1 821</u>	<u>23 616</u>	<u>26 551</u>
At 31 December 2002	<u>1 114</u>	<u>1 821</u>	<u>23 616</u>	<u>26 551</u>

17 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2002 £000	2001 £000
Profit for the financial year	7 771	3 252
Net addition to equity shareholders' funds	<u>7 771</u>	<u>3 252</u>
Opening equity shareholders' funds	55 980	52 728
Closing equity shareholders' funds	<u>63 751</u>	<u>55 980</u>

18 LEASE OBLIGATIONS

At 31 December 2002 the company had annual commitments under operating leases as follows:

	2002 Land and buildings £000	2002 Other £000	2001 Land and buildings £000	2001 Other £000
Expiry date:				
Within 1 year	-	124	11	120
Between two and five years	-	237	-	261
After 5 years	18	-	18	-
	<u>18</u>	<u>361</u>	<u>29</u>	<u>381</u>

Leases on land and buildings are subject to rent reviews

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

19 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

- 1) At 31 December 2002 capital expenditure contracts have been placed for £316 000 (2001 - £35 000).
- 2) The company has no contingent liabilities in respect of guaranteed loans of fellow SKF subsidiaries.

20 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 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

20 PENSION ARRANGEMENTS (CONTINUED)

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

	Long Term Rate of Return Expected at 31.12.02 % pa	Pension Plan Value at 31.12.02 £000	Executive Plan Value at 31.12.02 £000
Equities	7.5%	19 176	2 767
Bonds	5.0%	41 362	1 216
Cash/other	4.0%	2 635	143
Total		<u>63 173</u>	<u>4 126</u>
Actuarial liability		(78 400)	(5 740)
Market value of assets		63 173	4 126
Deficit in scheme		<u>(15 227)</u>	<u>(1 614)</u>
		Pension Plan 2002 £000	Executive Plan 2002 £000
Analysis of amounts that would have been charged to operating profit:			
Current service cost		1 272	273
Past service cost		-	-
Total operating charge		<u>1 272</u>	<u>273</u>
Analysis of amounts that would have been included in other finance income:			
Expected return on assets		4 354	293
Interest on liabilities		(4 008)	(310)
Net return		<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		(8 509)	(713)
Experience gains and losses arising on liabilities		(8 068)	(137)
Changes in assumptions		513	5
Actuarial loss recognised		<u>(16 064)</u>	<u>(845)</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

20 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:

Actual return less expected return on assets	(13.5%)	(17.3%)
Experience gains and losses arising on liabilities	(12.8%)	(3.3%)
Changes in assumptions	0.8%	0.1%
Total actuarial loss	<u>(25.5%)</u>	<u>(20.5%)</u>
Movement in surplus/(deficit) during the year:		
Surplus/(deficit) as at 31st December 2001	878	(717)
Current service cost	(1 272)	(273)
Employer contributions	885	238
Other finance income	346	(17)
Actuarial loss	(16 064)	(845)
Deficit as at 31st December 2002	<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 £139 000 (2001 - £193 000) which is being funded over a period not exceeding 20 years.

21 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 wholly owed 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 members of the group headed by Aktiebolaget SKF.

22 SUBSEQUENT EVENTS

Subsequent to the year end the company acquired the trade and net assets of MTSR Limited, a fellow subsidiary undertaking, for consideration of £649 212.