

SKF (U.K.) LIMITED
REGISTRATION NO. 107367
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2008

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

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 2008

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 16.8% and improved profit levels. However, market demand weakened towards the end of the year. A negative trend was seen for several industrial segments. SKF initiated actions to adapt its capacity and cost base to address this. For 2009, market demand is increasingly uncertain and it is expected that the weakening trend will continue. Manufacturing is being reduced to reflect new demand and to reduce inventory.

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

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

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

During the year, the Company acquired the trade and assets of a fellow subsidiary undertaking, SNFA Bearings Limited, for a consideration equal to the net book value of the assets and liabilities acquired. Details are presented in note 24 to the financial statements.

Key performance indicators

The Company's key financial performance indicator is a simplified, economic value-added model called Total Value Added (TVA). This indicator promotes improved operating profit, capital reduction and profitable growth. The calculation is the operating profit less the pre-tax cost of capital.

Risks and uncertainties facing the business

SKF operates in many different segments that are at different stages of the economic cycle. A general economic downturn at global level, or in one of the world's leading economies could reduce the demand for products, solutions and services for a period of time. In addition, disturbances in worldwide financial markets could have a negative effect on the demand for products and services.

The financial policy defines the main risks as being currency, interest rates, credit and liquidity and establishes responsibility and authority to manage these risks. The policy states that the objective is to minimise risk and to contribute to a better return through the active management of risks. The management of the risks and the responsibility for all treasury operations are centralised at the SKF Treasury Centre, the Group's internal bank.

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

Total sales for the year amounted to £198.8 million (2007 - £170.2 million). An improved level of activity has been achieved by most divisions.

The profit for the year after taxation was £19.3 million (2007 - £13.2 million). The Company continues to control spend and operate good pricing policies within the market.

No ordinary dividend in respect of the year ended 31 December 2008 has been paid during the year (2007 - £17.0 million). The directors do not recommend payment of a final ordinary dividend (2007 - £10.0 million).

Directors

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

T B Bertilsson
R J Law
S L Smith
B O Hansson (resigned 30 September 2009)

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

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

DIRECTORS' REPORT (CONTINUED)

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Health, Safety and Environment

The Board takes very seriously the Health, Safety and Environmental issues of the Company. A member of the Board is appointed as Director Representative for Health & Safety. The Board ensures that management systems are in place for effective risk control. The Company has three Health & Safety Committees who meet regularly and maintain effective communication with employees.

Employee consultation

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

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

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

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

The Company had trade creditors at 31 December 2008 of 45.99 days (2007 - 47.14 days).

Research and Development

During 2008 the Company spent £1.8 million on research and development (2007 - £1.2 million).

Charitable donations

During 2008 the Company made charitable donations amounting to £13 994 (2007 - £33 990).

DIRECTORS' REPORT (CONTINUED)

Auditors

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

By order of the Board

A handwritten signature in black ink, appearing to read 'S L Smith', with a stylized flourish at the end.

S L Smith
Director

Sundon Park Road
Luton
Bedfordshire
LU3 3BL

22 December 2009

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

We have audited the financial statements of SKF (U.K.) Corporate Holdings Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. 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 auditor's 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on pages 2 and 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

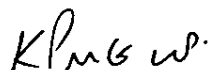
Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;

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

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

**KPMG LLP***Chartered Accountants, Altius House, One North Fourth Street, Milton Keynes, MK9 1NE**Registered Auditor*

22 December 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £000	2007 £000
TURNOVER	1	198 824	170 185
COST OF SALES		(154 728)	(134 946)
GROSS PROFIT		44 096	35 239
OTHER OPERATING EXPENSES	2	(19 390)	(17 086)
OPERATING PROFIT		24 706	18 153
PROFIT ON SALE OF TANGIBLE FIXED ASSETS		1 292	-
PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES		25 998	18 153
INTEREST RECEIVABLE AND SIMILAR INCOME	3	1 701	3 175
INTEREST PAYABLE AND SIMILAR CHARGES	3	(790)	(430)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	26 909	20 898
TAX ON PROFIT ON ORDINARY ACTIVITIES	7	(7 565)	(7 673)
PROFIT FOR THE YEAR		19 344	13 225

All results are derived from continuing activities in both years.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 DECEMBER 2008**

	2008 £000	2007 £000
Profit for the financial year	19 344	13 225
Actuarial (losses)/gains recognised in the pension scheme:		
Main plan	5 925	(389)
Executives plan	(1 318)	(592)
Deferred tax liability/(asset) arising on losses and gains in the pension scheme:		
Main plan	(1 659)	109
Executives plan	369	166
Total recognised gains and losses since last annual report	<u>22 661</u>	<u>12 519</u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED
31 DECEMBER 2008**

	2008 £000	2007 £000
Reported profit on ordinary activities before taxation	26 909	20 898
Difference between a historical cost depreciation charge and the actual depreciation charge for the year	98	98
Historical cost profit on ordinary activities before taxation	<u>27 007</u>	<u>20 996</u>
Historical cost profit for the year after taxation	<u>19 442</u>	<u>13 323</u>

BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	2008 £000	2007 £000
FIXED ASSETS			
Intangible assets	9	211	240
Tangible assets	10	19 559	18 404
Investments	11	831	1 136
		<u>20 601</u>	<u>19 780</u>
CURRENT ASSETS			
Stocks	12	20 876	15 143
Debtors	13	67 884	48 826
Cash at bank and in hand		5 489	2 697
		<u>94 249</u>	<u>66 666</u>
CREDITORS - Amounts falling due within one year	14	(36 194)	(23 451)
NET CURRENT ASSETS		<u>58 055</u>	<u>43 215</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		78 656	62 995
PROVISIONS FOR LIABILITIES AND CHARGES	15	(1 370)	(3 991)
NET ASSETS EXCLUDING PENSION LIABILITIES		<u>77 286</u>	<u>59 004</u>
PENSION LIABILITIES	21	(1 850)	(6 229)
NET ASSETS		<u><u>75 436</u></u>	<u><u>52 775</u></u>
CAPITAL AND RESERVES			
Called-up share capital	16	37 200	37 200
Share premium account	17	1 114	1 114
Revaluation reserve	17	1 651	1 749
Profit and loss account	17	35 471	12 712
SHAREHOLDERS' FUNDS	18	<u><u>75 436</u></u>	<u><u>52 775</u></u>

Signed on behalf of the Board



S L Smith
Director

22 December 2009

STATEMENT OF ACCOUNTING POLICIES - 31 DECEMBER 2008

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

The amendment to FRS 17 'Retirement Benefits' has been adopted in these financial statements for the first time and the disclosures it requires have been presented for both the current and comparative period. The amendment to FRS 17 also requires that quoted securities are valued at their current bid-price rather than their mid-market value. This has not been treated as a prior year adjustment on the basis of materiality.

Basis of accounting

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

The Company has taken advantage of the exemption from preparing consolidated financial statements offered by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Aktiebolaget SKF, a Company incorporated in Sweden, which prepares consolidated financial statements which are publicly available. Accordingly, these accounts present information about the Company as an individual undertaking and not its group. The Company is also, on this basis, exempt from the requirements of FRS 1 to present a cash flow statement.

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

Intangible assets - patents and trademarks

Patents and trademarks are included at cost and depreciated in equal annual instalments over a period of 20 years which is their estimated useful economic life. Provision is made for any impairment.

Tangible fixed assets

Land and buildings are stated at original historical cost or subsequent valuation. Land is not depreciated. Other fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:-

Freehold buildings	3% per annum
Plant and equipment	6 - 25% per annum

Residual value is calculated at prices prevailing at the date of acquisition or revaluation.

The carrying amounts of the Company's tangible fixed assets are reviewed when an indication of such impairment exists. If any such indication exists, the asset's recoverable amount is estimated.

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

STATEMENT OF ACCOUNTING POLICIES - 31 DECEMBER 2008 (CONTINUED)**Tangible fixed assets (continued)**

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Revaluation of properties

The Company has taken advantage of the transitional provisions of FRS 15 and retained the book amounts of certain freehold properties which were revalued prior to implementation of that standard. The properties were last revalued at 24 February 1977 and the valuations have not subsequently been updated.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

Investments

Fixed asset investments are shown at cost less provisions for impairment.

Stocks

Stocks are stated at the lower of cost, including appropriate overheads, and net realisable value. Provision is made for slow moving or obsolete items where appropriate.

Turnover

Turnover represents invoiced sales net of VAT, returns and allowances.

Leasing

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies. The tax effects arising from group relief are recognised in the accounts of the surrendering and recipient companies.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

STATEMENT OF ACCOUNTING POLICIES - 31 DECEMBER 2008 (CONTINUED)**Taxation (continued)**

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.

Pension costs

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

The Company operates two defined benefit funded pension schemes for directors and other employees. The assets of the scheme are held separately from those of the Company. The pension costs are assessed in accordance with the advice of an independent qualified actuary and are charged to the profit and loss account so as to spread the costs over the expected remaining lives of employees. Both pension schemes are subject to full actuarial valuation every three years.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on long term gilts of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Research and development

The Company undertakes research and development expenditure in view of developing new products.

Expenditure in research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the profit and loss account when incurred.

Expenditure in development activities, whereby research findings are applied to a plan or design for the production of a new product, is capitalised if the new product is technically and commercially feasible and the Company has sufficient resources to complete development.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008**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

	2008 £000	2007 £000
Selling Costs	8 437	8 010
Administration Costs	7 551	5 859
Distribution Costs	3 402	3 217
	<u>19 390</u>	<u>17 086</u>

3 FINANCE INCOME

	2008 £000	2007 £000
Interest Receivable and Similar Income		
Income from fixed asset investments	321	800
Interest receivable from fellow group companies	1 071	1 508
Other interest receivable and similar income	309	99
FRS 17 Financial income (see note 21)	-	768
	<u>1 701</u>	<u>3 175</u>

	2008 £000	2007 £000
Interest Payable and Similar Charges		
Bank loans and overdrafts	60	32
Interest payable to fellow group companies	455	398
FRS 17 Financial expense (see note 21)	275	-
	<u>790</u>	<u>430</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)**4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

	2008 £000	2007 £000
Depreciation and amounts written off tangible fixed assets	2 668	2 455
Amortisation of intangible fixed assets	30	27
Research and development	1 834	1 185
Hire of plant and machinery	895	718
Hire of buildings	298	263
Auditors' remuneration for audit services	47	51
Exchange gain	1 363	38
(Profit)/loss on disposal of tangible fixed assets	(1 292)	4

Amounts payable to KPMG LLP by the Company in respect of non audit services were £2 000 (2007 - £nil).

5 STAFF COSTS

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

	2008 Number	2007 Number
Production	648	645
Sales	94	71
Distribution	61	74
Administration	208	97
	<u>1011</u>	<u>887</u>

Their aggregate remuneration comprised:

	2008 £000	2007 £000
Wages and salaries	34 335	28 637
Social security costs	3 509	3 363
Other pension costs (see note 21)	3 344	2 544
	<u>41 188</u>	<u>34 544</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)**6 DIRECTORS' REMUNERATION AND TRANSACTIONS****Remuneration**

The remuneration of the directors was as follows:-

	2008 £000	2007 £000
Emoluments	777	598
Company contributions to pension scheme	236	196
	<u>1 013</u>	<u>794</u>

Pensions

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

	2008 Number	2007 Number
Defined benefit schemes	<u>2</u>	<u>2</u>

Highest paid director

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

	2008 £000	2007 £000
Emoluments	<u>363</u>	<u>249</u>

The accrued pension benefit at 31 December 2008 of the highest paid director was £nil (2007 - nil).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

7 TAX ON ORDINARY ACTIVITIES BEFORE PROFIT

	2008 £000	2007 £000
UK corporation tax		
Current year	(7 626)	(6 978)
Adjustment in respect of previous periods	(1 816)	-
	<u>(9 442)</u>	<u>(6 978)</u>
Deferred tax		
Current year movement	(463)	(422)
Adjustment in respect of previous periods	2 753	-
	<u>2 290</u>	<u>(422)</u>
FRS 17	(413)	(273)
	<u>1 877</u>	<u>(695)</u>
Current tax charge for the year	<u>(7 565)</u>	<u>(7 673)</u>

The deferred tax adjustment in respect of previous periods relates to the removal of non-qualifying assets from the fixed assets timing differences.

	2008 £000	2007 £000
FRS 19 Tax Reconciliation		
Profit on ordinary activities before tax	<u>26 909</u>	<u>20 898</u>
Tax at 28.52%/30% thereon	(7 674)	(6 269)
Expenses not deductible for tax purposes	(31)	(368)
Capital allowances in excess of depreciation	(141)	(288)
Movement in short term timing differences	(63)	187
Adjustment in respect of previous periods	(1 816)	(240)
Tax loss carried back	172	-
Other	111	-
	<u>(9 442)</u>	<u>(6 978)</u>

8 DIVIDENDS

	2008 £000	2007 £000
Interim dividend paid	-	17 000
	<u>-</u>	<u>17 000</u>

In accordance with FRS 21 "Events after balance sheet date", the dividends proposed but not declared at balance sheet date have not been recognised as a liability at that balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

9 INTANGIBLE ASSETS

	Development Cost £000	Intellectual Property £000	Total £000
Cost or valuation			
At 1 January 2008	143	300	443
Additions	1	-	1
	<hr/>	<hr/>	<hr/>
At 31 December 2008	144	300	444
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 January 2008	61	142	203
Charge for the year	15	15	30
	<hr/>	<hr/>	<hr/>
At 31 December 2008	76	157	233
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2008	68	143	211
	<hr/>	<hr/>	<hr/>
At 31 December 2007	82	158	240
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

10 TANGIBLE ASSETS

	Freehold Land and buildings £000	Plant and equipment £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 January 2008	16 365	48 855	691	65 911
Additions	419	710	1 242	2 371
Acquisitions	438	5 255	520	6 213
Transfers	110	1 015	(1 125)	-
Disposals	(946)	(472)	-	(1 418)
	<u>16 386</u>	<u>55 363</u>	<u>1 328</u>	<u>73 077</u>
At 31 December 2008				
	<u>16 386</u>	<u>55 363</u>	<u>1 328</u>	<u>73 077</u>
Depreciation				
At 1 January 2008	7 249	40 258	-	47 507
Charge for the year	441	2 227	-	2 668
Acquisitions	387	3 967	-	4 354
Disposals	(540)	(471)	-	(1 011)
	<u>7 537</u>	<u>45 981</u>	<u>-</u>	<u>53 518</u>
At 31 December 2008				
	<u>7 537</u>	<u>45 981</u>	<u>-</u>	<u>53 518</u>
Net book value				
At 31 December 2008	<u>8 849</u>	<u>9 382</u>	<u>1 328</u>	<u>19 559</u>
At 31 December 2007	<u>9 116</u>	<u>8 597</u>	<u>691</u>	<u>18 404</u>

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

	2008 £000	2007 £000
Cost	13 400	13 379
Aggregate depreciation	(5 267)	(5 077)
Net book value	<u>8 133</u>	<u>8 302</u>

Freehold land, amounting to £2 701 000 (2007 - £2 701 000) has not been depreciated.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)**11 INVESTMENTS**

	2008 £000	2007 £000
Unlisted trade investments		
Other investments (unlisted)	831	1 136

Other investments comprise:

	Country of incorporation	Principal activity	Holding % and voting rights
SKF India Limited	India	Bearing manufacture	6.45%

During the year, the Company disposed of its investment in SKF Engineering & Research Service BV, resulting in a profit of £494 000.

12 STOCKS

	2008 £000	2007 £000
Raw materials and consumables	6 192	4 344
Work in progress	10 110	8 535
Finished goods	4 574	2 264
	<u>20 876</u>	<u>15 143</u>

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

13 DEBTORS

	2008 £000	2007 £000
Amounts falling due within one year:		
Trade debtors	21 137	19 268
Amounts owed by group undertakings	44 609	26 945
Other debtors	644	396
Prepayments and accrued income	1 494	2 217
	<u>67 884</u>	<u>48 826</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)**14 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2008	2007
	£000	£000
Trade creditors	5 904	4 275
Amounts owed to group undertakings	13 823	9 134
Other taxation and social security	579	961
Other creditors	5 211	1 793
Accruals and deferred income	7 221	5 530
UK corporation tax payable	3 456	1 758
	<u>36 194</u>	<u>23 451</u>

15 DEFERRED TAXATION

	2008	2007
	£000	£000
At 1 January	3 991	3 569
Debited to the profit and loss account	(2 290)	422
Acquisitions (note 22)	(331)	-
	<u>1 370</u>	<u>3 991</u>
At 31 December	<u>1 370</u>	<u>3 991</u>

The elements of deferred taxation are as follows:

	2008	2007
	£000	£000
Fixed asset timing differences	1 539	4 035
Other timing differences	(169)	(44)
	<u>1 370</u>	<u>3 991</u>
Total deferred tax liability	<u>1 370</u>	<u>3 991</u>

A deferred tax asset relating to tax losses transferred on acquisition of Stonewind Limited of £5 280 000 (2007 - £5 449 000) has not been recognised as the directors consider its recoverability doubtful in the short term.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

16 CALLED-UP SHARE CAPITAL

	2008 £000	2007 £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 account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 2008	1 114	1 749	12 712	15 575
Profit for the year	-	-	19 344	19 344
Transfer of reserves	-	(98)	98	-
Actuarial gains recognised in the pension schemes net of deferred tax	-	-	3 317	3 317
	<u>1 114</u>	<u>1 651</u>	<u>35 471</u>	<u>38 236</u>
At 31 December 2008	<u>1 114</u>	<u>1 651</u>	<u>35 471</u>	<u>38 236</u>

18 SHAREHOLDERS' FUNDS

	2008 £000	2007 £000
Profit for the financial year	19 344	13 225
Interim dividend paid	-	(17 000)
Actuarial gains and losses recognised in the pension schemes net of deferred tax	3 317	(706)
Net increase/(reduction) to shareholders' funds	<u>22 661</u>	<u>(4 481)</u>
Opening shareholders' funds	52 775	57 256
Closing shareholders' funds	<u>75 436</u>	<u>52 775</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)**19 LEASE OBLIGATIONS**

At 31 December 2008 the Company had annual commitments under operating leases as follows:

	2008 Land and buildings £000	2008 Other £000	2007 Land and buildings £000	2007 Other £000
Expiry date:				
Within 1 year	66	109	62	142
Between two and five years	-	641	-	369
After 5 years	231	15	138	15
	<u>297</u>	<u>765</u>	<u>200</u>	<u>526</u>

20 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2008 capital expenditure contracts totalling £901 000 (2007 - £171 000) have been entered into but not provided for.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)**21 PENSION LIABILITIES****Pension Costs and Other Post-Retirement Benefits**

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

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

On 1 January 2008, the Company acquired the trade and assets of SNFA Bearings Limited, a fellow subsidiary undertaking, and hence became the sponsoring employer of the SNFA Bearings Limited Retirement Benefits Scheme.

Subsequently, on 1 October 2008 the assets and liabilities of the SNFA Bearings Limited Retirement Benefit Scheme were transferred to the SKF (U.K.) Limited Pension Plan.

Main Plan**Reconciliation of fund status to balance sheet**

	Main plan 31 December 2008 £000	Main plan 31 December 2007 £000	Main Plan 31 December 2006 £000
Present value of funded defined benefit obligations	(94 374)	(102 079)	(99 370)
Fair value of plan assets	94 677	95 286	92 880
Surplus/(deficit)	303	(6 793)	(6 490)
Related deferred tax asset/(liability)	(85)	1 902	1 947
Net asset/(liability)	218	(4 891)	(4 543)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Main Plan (continued)

	Main Plan		SNFA Plan		Total	Main Plan		SNFA Plan		Total	Main Plan		SNFA Plan		Total
	31 Dec	2008	31 Dec	2008	31 Dec	31 Dec	2007	31 Dec	2007	31 Dec	31 Dec	2006	31 Dec	2006	31 Dec
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Changes in the present value of liabilities during the year															
Liabilities at the start of the year	(102 079)	-	(7 594)	(102 079)	(99 370)	-	(99 370)	(103 051)	-	(103 051)	-	-	-	(103 051)	-
Acquisition of SNFA business	-	(7 594)	(7 594)	-	-	-	-	-	-	-	-	-	-	-	-
Service cost	(3 863)	(161)	(4 024)	(4 024)	(4 009)	(4 009)	(4 009)	(3 902)	(3 902)	(3 902)	-	-	-	(3 902)	-
Interest cost	(6 021)	(329)	(6 350)	(6 350)	(5 156)	(5 156)	(5 156)	(5 127)	(5 127)	(5 127)	-	-	-	(5 127)	-
Actuarial gain/(loss) on liabilities due to experience	4 155	345	4 500	4 500	(203)	(203)	(203)	1 796	1 796	1 796	-	-	-	1 796	-
Actuarial gain/(loss) on liabilities to assumptions	15 905	868	16 773	16 773	2 208	2 208	2 208	7 104	7 104	7 104	-	-	-	7 104	-
Benefits paid	4 205	195	4 400	4 400	4 451	4 451	4 451	3 810	3 810	3 810	-	-	-	3 810	-
Transfer to SKF Main Plan	(6 676)	6 676	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities at the end of the year	(94 374)	-	(94 374)	(94 374)	(102 079)	(102 079)	(102 079)	(99 370)	(99 370)	(99 370)	-	-	-	(99 370)	-

Changes in the fair values of assets during the year

Fair value of assets at start of the year	95 286	-	95 286	95 286	92 880	-	92 880	87 220	-	87 220	-	-	-	-	87 220
Acquisition of SNFA business	-	6 071	6 071	6 071	-	-	-	-	-	-	-	-	-	-	-
Expected return on assets	5 794	308	6 102	6 102	5 876	-	5 876	5 110	-	5 110	-	-	-	-	5 110
Actuarial gain/(loss) on assets	(13 831)	(1 517)	(15 348)	(15 348)	(2 394)	-	(2 394)	1 105	-	1 105	-	-	-	-	1 105
Contributions by the Company	5 405	251	5 656	5 656	2 206	-	2 206	2 140	-	2 140	-	-	-	-	2 140
Contributions by the members	1 251	59	1 310	1 310	1 169	-	1 169	1 115	-	1 115	-	-	-	-	1 115
Benefits paid	(4 205)	(195)	(4 400)	(4 400)	(4 451)	-	(4 451)	(3 810)	-	(3 810)	-	-	-	-	(3 810)
Transfer to SKF Main Plan	4 977	(4 977)	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value of assets at end of year	94 677	-	94 677	94 677	95 286	-	95 286	92 880	-	92 880	-	-	-	-	92 880

Contributions by the Company of £5 405 000 include an allowance of £2 980 000 in respect of Section 75 Debt resulting from participating employers becoming divisions of SKF (U.K.) Limited.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Main Plan (continued)

	Main Plan 31 Dec 2008 £000	SNFA Plan 31 Dec 2008 £000	Total 31 Dec 2008 £000	Main Plan 31 Dec 2007 £000	SNFA Plan 31 Dec 2007 £000	Total 31 Dec 2007 £000	Main Plan 31 Dec 2006 £000	SNFA Plan 31 Dec 2006 £000	Total 31 Dec 2006 £000
Analysis of profit and loss charge									
Current service cost	2 612	102	2 714	2 840	-	2 840	2 787	-	2 787
Interest cost	6 021	329	6 350	5 156	-	5 156	5 127	-	5 127
Expected return on assets	(5 794)	(308)	(6 102)	(5 876)	-	(5 876)	(5 110)	-	(5 110)
Expense recognised in profit and loss	<u>2 839</u>	<u>123</u>	<u>2 962</u>	<u>2 120</u>	<u>-</u>	<u>2 120</u>	<u>2 804</u>	<u>-</u>	<u>2 804</u>

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

Cost of sales	2 612	102	2 714	2 840	-	2 840	2 787	-	2 787
Other interest receivable & similar income	-	-	-	(720)	-	(720)	-	-	-
Interest payable & similar charges	227	21	248	-	-	-	17	-	17
	<u>2 839</u>	<u>123</u>	<u>2 962</u>	<u>2 120</u>	<u>-</u>	<u>2 120</u>	<u>2 804</u>	<u>-</u>	<u>2 804</u>

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

	Main Plan 31 Dec 2008 £000	Main plan 31 Dec 2007 £000	Main Plan 31 Dec 2006 £000
Actuarial (loss)/gain on assets	(15 348)	(2 394)	1 105
Actuarial gain/(loss) on liabilities due to experience	4 500	(203)	1 796
Actuarial gain/(loss) on liabilities due to assumptions	16 773	2 208	7 104
Total gain/(loss) in the STRGL	<u>5 925</u>	<u>(389)</u>	<u>10 005</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Main Plan (continued)

The fair value of the plan assets, the return on those assets and the expected return on assets were as follows

	Main plan 31 Dec 2008 £000	Main plan 31 Dec 2008 % pa	Main plan 31 Dec 2007 £000	Main plan 31 Dec 2007 % pa	Main plan 31 Dec 2006 £000	Main plan 31 Dec 2006 % pa
Equities	26 694	8.75	35 673	8.25	45 276	8.00
Bonds	58 239	3.80	49 827	4.40	46 072	4.80
Property	4 813	5.80	8 564	5.90	-	-
Cash/other	4 931	1.50	1 222	5.50	1 532	5.00
	<u>94 677</u>		<u>95 286</u>		<u>92 880</u>	
Actual return on assets	(9 246)		3 482		6 215	

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

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

	Main plan 31 December 2008	Main plan 31 December 2007	Main Plan 31 December 2006
Discount rate	- / 3.0%	-	-
Price inflation	3.2%	3.4%	3.1%
Increases to pensionable earnings	2.4%	2.5%	3.1%
Increases to pensions in payment:	3.2%	3.4%	3.4%
- pre April 1997	-	-	-
- post April 1997, pre April 2007	-	-	-
- post April 2007	-	-	-
Pre-retirement increases for deferred pensions	25%	25%	3.1%
Commutation allowance			-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Main Plan (continued)

In valuing the liabilities of the pension fund at 31 December 2008, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived one year longer, the value of the reported liabilities at 31 December 2008 would have increased by £3.75 m before deferred tax.

The assumptions relating to longevity underlying pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

Current pensioner aged 65: 20 years (male), 23 years (female)

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

	Main plan 31 Dec 2008 £000	Main plan 31 Dec 2007 £000	Main plan 31 Dec 2006 £000	Main plan 31 Dec 2005 £000	Main plan 31 Dec 2004 £000
Balance sheet					
Present value of scheme liabilities	(94 374)	(102 079)	(99 370)	(103 051)	(93 376)
Fair value of scheme assets	94 677	95 286	92 880	87 220	70 113
	<u>303</u>	<u>(6 793)</u>	<u>(6 490)</u>	<u>(15 831)</u>	<u>(23 263)</u>
Experience adjustments					
Experience adjustments on scheme liabilities		(0.2%)	2.0%	7.2%	4.2%
Experience adjustments on scheme liabilities	4.8%				
Experience adjustments on scheme assets	4.8%	(0.2%)	2.0%	8.5%	5.6%

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Executives Plan

	Exec plan 31 December 2008 £000	Exec plan 31 December 2007 £000	Exec Plan 31 December 2006 £000
Reconciliation of fund status to balance sheet			
Present value of funded defined benefit obligations	(10 461)	(9 911)	(8 898)
Fair value of plan assets	7 589	8 053	7 321
	<u> </u>	<u> </u>	<u> </u>
Deficit	(2 872)	(1 858)	(1 577)
Related deferred tax asset	804	520	473
Net liability	<u>(2 068)</u>	<u>(1 338)</u>	<u>(1 104)</u>
	<u> </u>	<u> </u>	<u> </u>
Changes in the present value of liabilities during the year			
Liabilities at the start of the year	(9 911)	(8 898)	(8 431)
Service cost	(357)	(339)	(305)
Interest cost	(579)	(465)	(423)
Actuarial (loss)/gain	(1 934)	81	14
Actuarial gain/(loss)	2 099	(535)	(1)
Benefits paid	221	245	248
Liabilities at the end of the year	<u>(10 461)</u>	<u>(9 911)</u>	<u>(8 898)</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Executives Plan (continued)

	Exec plan 31 December 2008 £000	Exec plan 31 December 2007 £000	Exec Plan 31 December 2006 £000
Changes in the fair value of assets during the year			
Fair value of assets at the start of the year	8 053	7 321	6 277
Expected return on assets	552	513	422
Actuarial (loss)/gain on assets	(1 483)	(138)	277
Contributions by the Company	686	600	591
Contributions by the members	2	2	2
Benefits paid	(221)	(245)	(248)
Fair value of assets at the end of the year	<u>7 589</u>	<u>8 053</u>	<u>7 321</u>
Analysis of the profit and loss charge			
Current service cost	355	337	303
Interest cost	579	465	423
Expected return on assets	(552)	(513)	(422)
Expense recognised in the profit and loss	<u>382</u>	<u>289</u>	<u>304</u>
The expense is recognised in the following line items in the profit and loss account			
Distribution expenses	60	64	67
Administration expenses	142	111	100
Selling expenses	153	162	136
Other interest receivable and similar income	-	(48)	-
Interest payable and similar charges	27	-	1
	<u>382</u>	<u>289</u>	<u>304</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Executives Plan (continued)

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

	Exec plan 31 December 2008 £000	Exec plan 31 December 2007 £000	Exec Plan 31 December 2006 £000
Actuarial (loss)/gain on assets	(1 483)	(138)	277
Actuarial (loss)/gain on liabilities due to experience	(1 934)	81	14
Actuarial gain/(loss) on liabilities due to assumptions	2 099	(535)	(1)
Total (loss)/gain in the STRGL	(1 318)	(592)	290

The fair value of the plan assets, the return on those assets and the expected return on assets were as follows

	Exec plan 31 Dec 2008 £000	Exec plan 31 Dec 2008 % pa	Exec plan 31 Dec 2007 £000	Exec plan 31 Dec 2007 % pa	Exec plan 31 Dec 2006 £000	Exec plan 31 Dec 2006 % pa
Equities	3 074	8.75	4 449	8.25	4 651	8.00
Bonds	3 730	3.80	2 618	4.40	2 187	4.80
Cash/other	785	1.50	986	5.50	483	5.00
	<u>7 589</u>		<u>8 053</u>		<u>7 321</u>	
Actual return on assets	(931)		375		699	

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Executives Plan (continued)

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

	Exec plan 31 December 2008	Exec plan 31 December 2007	Exec Plan 31 December 2006
Discount rate	6.7%	5.8%	5.2%
Price inflation	3.2%	3.4%	3.1%
Increases to pensionable earnings	5.0%	5.0%	3.4%
Increases to pensions in payment:			
- pre April 1997	2.5%	2.5%	2.5%
- post April 1997, pre April 2008	3.2%	3.4%	3.1%
- post April 2008	2.4%	N/A	N/A
Pre-retirement increases for deferred pensions	3.2%	3.4%	3.1%
Commutation allowance	25%	25%	-

The assumptions relating to longevity underlying pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

Current pensioner aged 65: 22.6 years (male), 24.1 years (female)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

21 PENSION LIABILITIES (CONTINUED)

Executives Plan (continued)

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

	Exec plan 31 Dec 2008 £000	Exec plan 31 Dec 2007 £000	Exec plan 31 Dec 2006 £000	Exec plan 31 Dec 2005 £000	Exec plan 31 Dec 2004 £000
Balance sheet					
Present value of scheme liabilities	(10 461)	(9 911)	(8 898)	(8 431)	(7 532)
Fair value of scheme assets	7 589	8 053	7 321	6 277	4 545
	<u>(2 872)</u>	<u>(1 858)</u>	<u>(1 577)</u>	<u>(2 154)</u>	<u>(2 987)</u>

Experience adjustments

Experience adjustments on scheme liabilities as a percentages of scheme liabilities

18.5%

(0.8%)

(0.2%)

(2.1%)

3.6%

Experience adjustments on scheme liabilities as a percentage of scheme assets

(25.5%)

1.0%

2.8%

-6.0%

The Company expects to contribute approximately £0.8m to the Executives plan in the next financial year.

The Company has taken advantage of the exemption under FRS 17.95C not to restate the corresponding amounts for the first two of the previous four accounting periods for the effect of using the current bid-price rather than the mid-market price. The Company has not restated the corresponding amounts for the second two of the previous four accounting periods on the grounds on materiality.

The FRS 17 liabilities have been based on the results of the triennial actuarial valuation of the Executives Plan as at 1 June 2007 and the membership data used for the preliminary results of the triennial actuarial valuation of the Main Plan as at 6 April 2008. The data for both Plans has been adjusted to reflect most membership movements up to 31 December 2008.

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 £52 000 (2007- £59 000) which is being funded over a period not exceeding 20 years.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)**22 ACQUISITIONS**

On 1 January 2008, the Company acquired the trade and assets of SNFA Bearings Limited, a fellow subsidiary undertaking, for the consideration of £5 004 000.

The consideration was the net book value of the net assets at the date of transfer. The directors consider that the fair values and the book values of the net assets transferred were the same at the transfer date and, therefore, there are no fair value adjustments arising. A table of net book values and fair values of the assets and liabilities is presented below:

	Total £000
Fixed assets (see note 10)	1 859
Stocks	3 107
Debtors (including deferred tax asset of £331 000)	1 397
Cash	1 295
Creditors	(2 654)
	<u>5 004</u>
Consideration	(5 004)
Goodwill arising on transfer	<u>-</u>

23 POST BALANCE SHEET EVENTS

On 1 January 2009, the Company acquired the trade and assets of SKF Condition Monitoring Centre (Livingston) Limited, a fellow subsidiary undertaking, for the consideration of £1 791 000.

The consideration was the net book value of the net assets at the date of transfer. The directors consider that the fair values and the book values of the net assets transferred were the same at the transfer date and, therefore, there are no fair value adjustments arising. A table of net book values and fair values of the assets and liabilities is presented below:

	Total £000
Fixed assets	195
Stocks	630
Debtors	1 283
Cash	902
Creditors	(1 219)
	<u>1 791</u>
Consideration	(1 791)
Goodwill arising on transfer	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)**24 ULTIMATE PARENT COMPANY AND RELATED PARTY DISCLOSURES**

The Company's ultimate parent Company and controlling party is Aktiebolaget SKF, which is incorporated in Sweden. The Company's immediate parent Company at 31st December 2008 was SKF (U.K.) Corporate Holdings Limited.

The parent of the only group for which group financial statements are prepared and of which the Company is a member is Aktiebolaget SKF. Copies of these group financial statements can be obtained from SKF (U.K.) Limited, Sundon Park Road, Luton, Bedfordshire, LU3 3BL.

As a subsidiary of Aktiebolaget SKF, the Company has taken advantage of the exemption in FRS No 8 "Related party disclosures" not to disclose transactions with other entities, 90% or more of whose voting rights are controlled within the group headed by Aktiebolaget SKF.