

**PEER BEARING LIMITED**  
**REGISTRATION NO. 4307702**  
**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 and business review**

The company's principal activity is the warehousing and European distribution of highly engineered precision bearings and bearing-related products.

On the 11 September 2008, SKF (U.K.) Corporate Holdings Limited acquired the whole of the issued share capital of the Company from Illinois Peer Bearing Company for a consideration of £628,977.85.

### **Results for the year**

Total sales for the year amounted to £834 539 (2007 - £496 362).

The loss for the year after taxation was £204 495 (2007 loss - £217 586).

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

### **Directors**

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

G Spungen	(resigned 11 September 2008)
D Spungen	(resigned 11 September 2008)
B O Hansson	(appointed 11 September 2008, resigned 5 October 2009)
S L Smith	(appointed 11 September 2008)
P Tong	(appointed 11 September 2008)

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.

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.

**DIRECTORS' REPORT (CONTINUED)**

**Statement of directors' responsibilities in respect of the Directors' Report and the Financial Statements (continued)**

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

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.

**Auditors**

Subsequent to the year end, the directors appointed KPMG LLP as first auditors of the Company.

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



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

Sundon Park Road  
Luton  
Bedfordshire  
LU3 3BL

29 January 2010

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PEER BEARING LIMITED**

We have audited the financial statements of Peer Bearing Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet 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 page 1 & 2.

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, except that the scope of our work was limited as explained below.

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.

# **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PEER BEARING LIMITED (CONTINUED)**

We planned 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. However, the evidence available to us was limited because we were unable either to observe the counting of physical stock having a carrying amount of £327,404 at 31 December 2008 and £398,300 at 31 December 2007, since those dates were prior to our appointment as auditors of the company, or to verify the valuation of that stock. As a result we have been unable to obtain sufficient appropriate audit evidence concerning stock at either date. In addition, due to the nature of the company's accounting records we were unable to obtain sufficient appropriate audit evidence concerning the other assets and the liabilities (including the classification of £1,348,861 of those liabilities as long-term) as at 31 December 2007 reported in the company's financial statements for the year then ended, which were not audited. Because of the significance of these items, we have been unable to form a view on the financial statements for the year ended 31 December 2008.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

## **Opinion: disclaimer on view given by the financial statements**

Because of the possible effect of the limitations in evidence available to us, we are unable to form an opinion as to whether 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 loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

In respect solely of the limitations on our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- in our opinion proper accounting records have not been maintained.

Notwithstanding our disclaimer on the view given by the financial statements, in our opinion the information given in the Directors' Report is consistent with the financial statements.

*KPMG LLP*

**KPMG LLP**

*Chartered Accountants, Altius House, One North Fourth Street, Milton Keynes, MK9 1NE*

*Registered Auditor*

29 January 2010

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 £	Unaudited 2007 £
<b>TURNOVER</b>	<b>1</b>	834 539	496 362
<b>COST OF SALES</b>		( 631 907 )	( 362 348 )
<b>GROSS PROFIT</b>		202 632	134 014
<b>ADMINISTRATIVE EXPENSES</b>		( 381 887 )	( 303 838 )
		( 179 255 )	( 169 824 )
<b>OTHER OPERATING INCOME</b>		4 075	9 552
<b>OPERATING LOSS</b>		( 175 180 )	( 160 272 )
<b>LOSS ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES</b>		( 175 180 )	( 160 272 )
<b>INTEREST RECEIVABLE AND SIMILAR INCOME 2</b>		-	2 673
<b>INTEREST PAYABLE AND SIMILAR CHARGES 2</b>		( 29 315 )	( 59 987 )
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>3</b>	( 204 495 )	( 217 586 )
<b>TAX ON LOSS ON ORDINARY ACTIVITIES</b>	<b>4</b>	-	-
<b>LOSS FOR THE YEAR</b>		( 204 495 )	( 217 586 )

All results are derived from continuing activities in both years.

**BALANCE SHEET AS AT 31 DECEMBER 2008**

	Notes	2008 £	Unaudited 2007 £
<b>FIXED ASSETS</b>			
Tangible assets	6	3 654	3 816
		<u>3 654</u>	<u>3 816</u>
<b>CURRENT ASSETS</b>			
Stocks	7	327 404	398 300
Debtors	8	231 138	120 520
Cash at bank and in hand		94 244	137 591
		<u>652 786</u>	<u>656 411</u>
<b>CREDITORS - Amounts falling due within one year</b>	9	( 146 291 )	( 27 746 )
<b>NET CURRENT ASSETS</b>		<u>506 495</u>	<u>628 665</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		510 149	632 481
<b>CREDITORS - Amounts falling due after more than one year</b>	10	-	( 1 348 861 )
<b>NET ASSETS/(LIABILITIES)</b>		<u>510 149</u>	<u>( 716 380 )</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	11	1 432 024	1 000
Profit and loss account	12	( 921 875 )	( 717 380 )
<b>SHAREHOLDERS' FUNDS/(DEFICIT)</b>	13	<u>510 149</u>	<u>( 716 380 )</u>

Signed on behalf of the Board



**S L Smith**  
Director

29 January 2010

**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.

**Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

The financial statements have been prepared on the going concern basis, notwithstanding a loss for the year of £204,495 (2007: £217 586), which the directors believe to be appropriate for the following reason. SKF (U.K.) Corporate Holdings Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

**Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

**Turnover**

Turnover represents net invoiced sales of goods, excluding value added tax.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Plant and equipment	50% on reducing balance and 25% on reducing balance
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**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. In determining the cost of goods purchased for resale, the weighted average purchase price is used.



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

**Taxation**

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

**Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Operating leasing commitments**

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

**Pensions**

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008**

**1 TURNOVER**

Turnover includes export sales totalling 72% of total sales (2007 57%)

**2 FINANCE INCOME/EXPENSE**

	<b>2008</b>	<b>Unaudited</b>
	<b>£</b>	<b>2007</b>
		<b>£</b>
<b>Interest Receivable and Similar Income</b>		
Other interest receivable and similar income	-	2 673
	<u>-</u>	<u>2 673</u>
<b>Interest Payable and Similar Charges</b>		
Interest payable on related company loan	27 587	59 987
Bank loans and overdrafts	1 724	-
Other interest payable	4	-
	<u>29 315</u>	<u>59 987</u>

**3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

	<b>2008</b>	<b>Unaudited</b>
	<b>£</b>	<b>2007</b>
		<b>£</b>
Depreciation and amounts written off tangible fixed assets	5 615	2 326
Hire of plant and machinery – operating leases	3 512	-
Hire of buildings – operating leases	23 800	14 852
Foreign exchange differences	( 7 911 )	( 7 798 )
Pension costs	9 579	8 328
Audit of these financial statements	7 956	-

There was no audit fee incurred in 2007 because 2008 is the first year that the company has been audited.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008**

**4 TAX ON ORDINARY ACTIVITIES BEFORE PROFIT**

No liability to UK Corporation tax arose on ordinary activities for the year ended 31 December 2008 nor for the period ended 31 December 2007.

	<b>2008</b> <b>£</b>	<b>Unaudited</b> <b>2007</b> <b>£</b>
<b>FRS 19 Tax Reconciliation</b>		
Loss on ordinary activities before tax	( 204 495 )	( 217 586 )
Tax at 28.52%/19.21% thereon	58 322	41 798
Capital allowances in excess of depreciation	( 1 329 )	616
Tax loss carried forward	( 56 993 )	( 42 250 )
Other	-	( 164 )
	<u>-</u>	<u>-</u>

Losses available to carry forward are £822 836 (2007 - £623 000).

**5 STAFF COSTS**

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

	<b>2008</b> <b>Number</b>	<b>Unaudited</b> <b>2007</b> <b>Number</b>
Administration	4.5	4.5
	<u>4.5</u>	<u>4.5</u>

The aggregate staff remuneration comprised:

	<b>2008</b> <b>£</b>	<b>Unaudited</b> <b>2007</b> <b>£</b>
Wages and salaries	147 952	176 279
Social security costs	15 436	17 641
Other pension costs	9 579	8 328
	<u>172 967</u>	<u>202 248</u>

There were no outstanding or prepaid pension contributions at either the beginning or end of the financial year.

No director received any emoluments in respect of their services to the company.

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

6 TANGIBLE ASSETS

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2008 (unaudited)	8 431	3 851	9 613	21 895
Additions	4 622	831	-	5 453
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	13 053	4 682	9 613	27 348
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 January 2008 (unaudited)	6 885	3 160	8 034	18 079
Charge for the year	2 514	1 522	1 579	5 615
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	9 399	4 682	9 613	23 694
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 2008	3 654	-	-	3 654
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007 (unaudited)	1 546	691	1 579	3 816
	<hr/>	<hr/>	<hr/>	<hr/>

7 STOCKS

	2008 £	Unaudited 2007 £
Finished goods	327 404	398 300
	<hr/>	<hr/>
	327 404	398 300
	<hr/>	<hr/>

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

**8 DEBTORS**

	<b>2008</b>	<b>Unaudited</b>
	<b>£</b>	<b>2007</b>
		<b>£</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	115 512	101 617
Amounts owed by group undertakings	17 675	-
VAT	90 444	10 239
Other debtors	-	4 951
Prepayments and accrued income	7 507	3 713
	<u>231 138</u>	<u>120 520</u>

**9 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2008</b>	<b>Unaudited</b>
	<b>£</b>	<b>2007</b>
		<b>£</b>
Trade creditors	25 937	16 011
Amounts owed to group undertakings	109 478	-
Other taxation and social security	3 920	7 445
Other creditors	2 861	1 143
Accruals and deferred income	4 095	3 147
	<u>146 291</u>	<u>27 746</u>

**10 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2008</b>	<b>Unaudited</b>
	<b>£</b>	<b>2007</b>
		<b>£</b>
Other creditors	-	1 348 861
	<u>-</u>	<u>1 348 861</u>

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

11 CALLED-UP SHARE CAPITAL

	2008 £	Unaudited 2007 £
Authorised		
2008 1 501 000 (2007 1 000) Ordinary shares of £1 each	<u>1 501 000</u>	<u>1 000</u>
Allotted, called-up and fully paid		
2008 1 432 024 (2007 1 000) Ordinary shares of £1 each	<u>1 432 024</u>	<u>1 000</u>

On 24 June 2008 the nominal capital of the company was increased by £1,500,000 to £1,501,000.

On 24 June 2008 the Company issued 1,431,024 £1 ordinary shares. The shares were allotted in consideration for Illinois Peer Bearing Company LLC foregoing the right to require repayment of \$2,824,411 by Peer Bearing Limited.

12 RESERVES

	Total £
At 1 January 2008 (unaudited)	( 717 380 )
Loss for the year	<u>( 204 495 )</u>
At 31 December 2008	<u>( 921 875 )</u>

13 SHAREHOLDERS' DEFICIT

	2008 £	Unaudited 2007 £
Loss for the financial year	( 204 495 )	( 217 586 )
New share capital (see note 11)	<u>1 431 024</u>	<u>-</u>
Net increase/(reduction) to shareholders' funds	<u>1 226 529</u>	<u>( 217 586 )</u>
Opening shareholders' deficit	( 716 380 )	( 498 794 )
Closing shareholders' funds/(deficit)	<u>510 149</u>	<u>( 716 380 )</u>

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

**14 LEASE OBLIGATIONS**

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

	<b>2008 Land and Buildings £</b>	<b>2008 Plant and machinery £</b>	<b>Unaudited 2007 Land and buildings £</b>	<b>Unaudited 2007 Plant and machinery £</b>
Expiry date:				
Within 1 year	-	-	13 500	-
Between two and five years	23 850	4 176	-	-
	<u>23 850</u>	<u>4 176</u>	<u>13 500</u>	<u>-</u>

**15 ULTIMATE PARENT COMPANY AND RELATED PARTY DISCLOSURES**

Up until 11 September 2008, the company's parent company was Peer Bearing Company, Chicago, USA. From 11 September 2008, 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.