

Heimbach UK Limited

**Directors' report and financial
statements**

Registered number 00055771

31 December 2009

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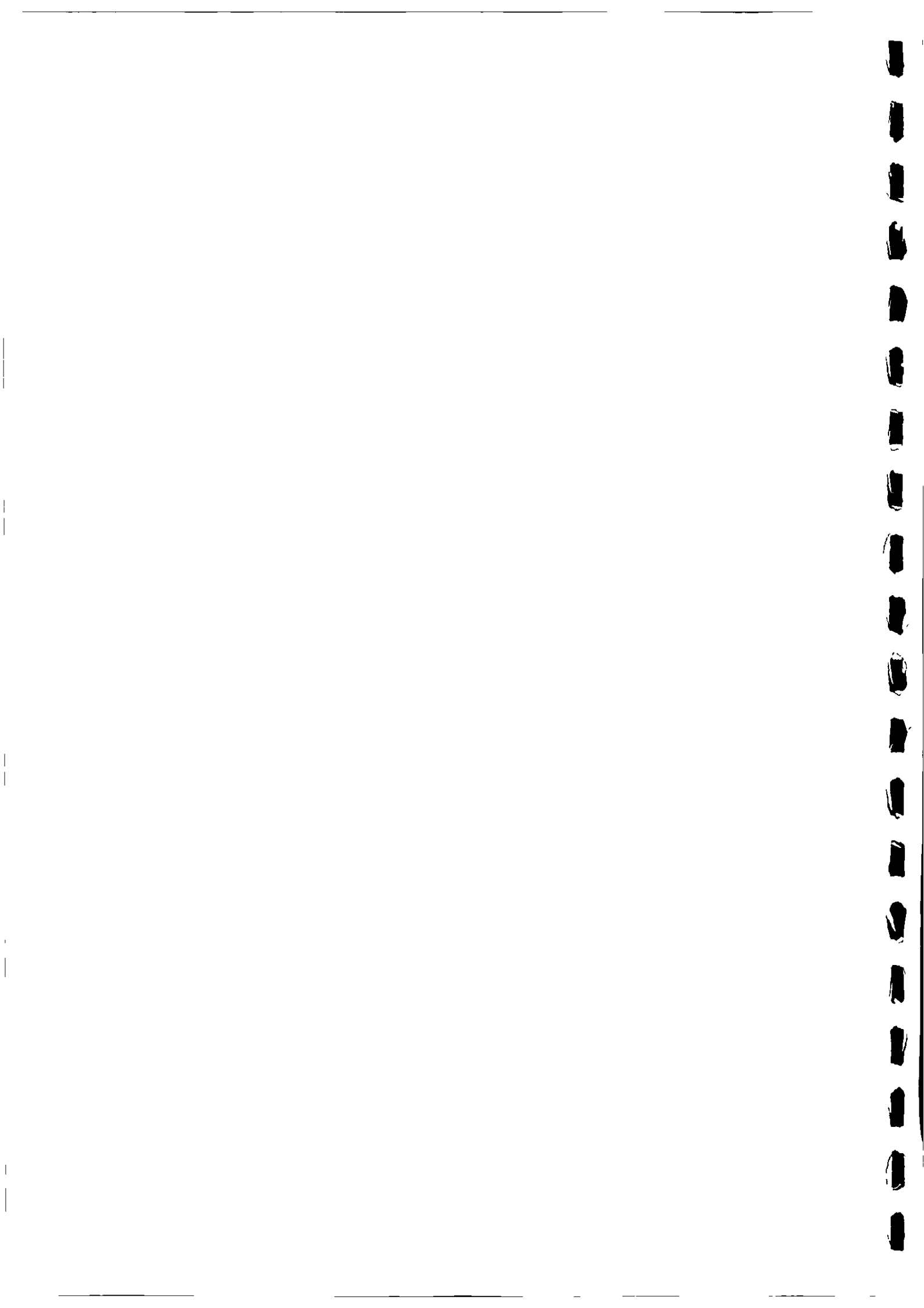
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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

Principal activities

During the current year the principal activity of the company was the manufacture and sale of woven synthetic forming fabrics for paper machines. All sales are now made to group companies.

Business review

The company continues to enhance its operations at its Manchester site. Production and sales volumes have been constant during the year. Sales values have increased due to the favourable sterling exchange rates. The results for the financial year are set out in the profit and loss account on page 6. During 2009 investments have been limited due to global economic instabilities, however previous years investments has meant we have sufficient capacities for future growth and increased volumes.

Performance of the business

During 2009 the company outperformed specific organisational targets in the areas of productivity, quality and finance.

Principal risks and uncertainties

The principal risks are, in our view, our continued reputation for technical and quality excellence and the stability of our manufacturing, accounting and IT systems.

Key performance indicators

The company has bi-annual board meetings at which performance is measured against detailed budgets. At these meetings the board reviews sales, production, quality, health & safety and financial values.

The company distributes fully reconciled management accounts on a monthly basis to its ultimate holding company, Heimbach GmbH, a company incorporated in Germany.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend. The profit before tax was £2,039,815 (2008 £770,036) and the profit after tax for the year and retained by the company is £1,507,279 (2008 £395,687).

Directors

The directors who held office during the year were as follows:

R Martin

G Hanson

P Michels (appointed 1 January 2008)

Insurance of directors

The ultimate holding company maintains insurance for the directors in respect of their duties as directors of the company.

Directors' report *(continued)*

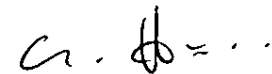
Disclosure of information to auditors

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

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



G Hanson
Company Secretary

19/2/10

Bradnor Road
Wythenshawe
Manchester
M22 4TS

19 February 2010

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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, or
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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



KPMG LLP
St James' Square
Manchester M2 6DS
United Kingdom

Independent auditors report to the members of Heimbach UK Limited

We have audited the financial statements of Heimbach UK Limited for the year ended 31 December 2009 set out on pages 6 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of the financial statements is provided on the APB's web-site at www.frc.org.uk/scope/uknp.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of the profit for the year ended,
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Independent auditors' report to the members of Heimbach UK Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Manchester

19 February 2010

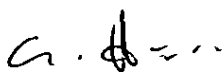
Profit and loss account
for the year ended 31 December 2009

	<i>Note</i>	2009 £	2008 £
Turnover from continuing operations	2	9,399,475	10 908 147
Cost of sales		(5,000,386)	(6,036 611)
Gross profit		4,399,089	4 871 536
Distribution costs and selling expenses		(217,372)	(387 298)
Administrative expenses		(1,817,686)	(3 314,452)
Operating profit from continuing operations	3	2,364,031	1,169,786
Interest receivable and similar income	6	55	10,326
Interest payable and similar charges	7	(116,363)	(333 872)
Other finance expense	8	(207,908)	(76,204)
Profit on ordinary activities before taxation	1-8	2,039,815	770 036
Tax on profit on ordinary activities	9	(532,536)	(374,349)
Profit on ordinary activities after taxation and retained for the financial year	17	1,507,279	395 687

Balance sheet
at 31 December 2009

	<i>Note</i>	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Intangible assets	10		1,134,546		1 294 071
Tangible assets	11		8,773,595		9,752 202
			<u>9,908,141</u>		<u>11 046,273</u>
Current assets					
Stocks	12	798,127		880 525	
Debtors	13	1,000,351		1 973,945	
Cash at bank and in hand		1,125,905		801 946	
		<u>2,924,383</u>		<u>3 656,416</u>	
Creditors amounts falling due within one year	14	(4,098,627)		(7,241 535)	
Net current liabilities			(1,174,244)		(3,585,119)
Total assets less current liabilities			8,733,897		7 461 154
Provision for liabilities	15		(1,211,292)		(1 342,369)
Net assets excluding pension liabilities			7,522,605		6,118 785
Pension liability	19		(2,943,210)		(2 046 364)
Net assets including pension liabilities			<u>4,579,395</u>		<u>4 072,421</u>
Capital and reserves					
Called up share capital	16		500,000		500,000
Share premium account	17		20,000		20,000
Revaluation reserve	17		1,871,344		2 077,364
Profit and loss account	17		2,188,051		1 475 057
Equity shareholder's funds			<u>4,579,395</u>		<u>4 072 421</u>

These financial statements were approved by the board of directors on 19 February 2010 and were signed on its behalf by


G P Hanson
Director

Registered number 00055771

Cash flow statement
for the year ended 31 December 2009

Reconciliation of operating profit to net cash flow from operating activities

	<i>Note</i>	2009 £	2008 £
Operating profit		2,364,031	1,169,786
Amortisation charge		418,615	366,796
Depreciation charge		966,057	927,675
Loss/(profit) on sale of fixed asset		13,104	(5,482)
Exchange rate movement on net debt		(446,755)	1,548,115
Decrease in stocks		82,398	615,117
Decrease/(increase) in debtors		931,692	(132,013)
(Decrease)/increase in creditors		(791,454)	(5,286)
Difference between FRS 17 pension charge and actual pension contribution		(351,600)	(238,762)

Net cash inflow from operating activities		3,186,088	4,245,946
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Cash flow statement

		2009 £	2008 £
Cash flow from operating activities		3,186,088	4,245,946
Returns on investments and servicing of finance	20	(116,309)	(323,546)
Taxation		(351,886)	(199,299)
Capital expenditure and financial investment	20	(259,644)	(614,780)
Cash inflow before Financing		2,458,249	3,108,321
Financing	20	(2,134,290)	(2,811,247)
Increase in cash in the year		323,959	297,074

Reconciliation of net cash flow to movement in net debt

		2009 £	2008 £
Increase in cash in the year	21	323,959	297,074
Cash inflow/(outflow) from the repayment of intercompany loan		2,134,290	2,811,247
Change in net debt resulting from cash flows		2,458,249	3,108,321
Exchange rate differences on intercompany loan		446,755	(1,548,115)
Movement in net debt in the year		2,965,004	1,560,206
Net debt at the start of the year	21	(4,728,899)	(6,289,105)
Net debt at the end of the year	21	(1,823,895)	(4,728,899)

Statement of total recognised gains and losses
for the year ended 31 December 2009

	2009 £	2008 £
Profit for the financial year	1,507,279	395 687
Actuarial (loss)/gain recognised in the pension scheme	(1,389,311)	898 044
Deferred tax arising on losses/(gains) in the pension scheme	389,006	(251 452)
Unrealised surplus on revaluation	-	449 364
	<hr/>	<hr/>
Total recognised gains relating to the year	506,974	1,491,643
	<hr/>	<hr/>

Note of historical cost profits and losses
for the year ended 31 December 2009

	2009 £	2008 £
Reported profit on ordinary activities before taxation	2,039,815	770,036
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	206,020	162 800
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	2,245,835	932 836
	<hr/>	<hr/>
Historical cost profit for the year retained after taxation	1,713,299	558 487
	<hr/>	<hr/>

Reconciliation of movements in shareholder's funds
for the year ended 31 December 2009

	2009 £	2008 £
Profit for the financial year	1,507,279	395 687
Other recognised gains and losses relating to the year (net)	(1,000,305)	1 095,956
	<hr/>	<hr/>
Net addition to shareholder's funds	506,974	1,491,643
Opening shareholder's funds	4,072,421	2 580,778
	<hr/>	<hr/>
Closing shareholder's funds	4,579,395	4 072,421
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with the applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of land and buildings

The financial statements have been prepared on a going concern basis, notwithstanding net current liabilities of £1 174 244 as Heimbach GmbH, the ultimate parent company, has confirmed that it will not seek repayment of the intercompany loan for twelve months from the date of approval of these financial statements to enable the company to continue to trade and meet its liabilities to third parties as they fall due

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal instalments over its estimated useful life

Intangible fixed assets and amortisation

Concessions, patents, licenses and trademarks purchased by the Company are amortised to nil by equal annual instalments over their useful lives, generally the respective unexpired period of six years

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Long leasehold land and buildings	-	5% straight line
Plant, equipment and vehicles	-	5% - 30% straight line

Assets under construction are held on the balance sheet at cost and are not depreciated until the point when the asset comes into use

The company has departed from the historical cost accounting rules in respect of the carrying value of long leasehold land and buildings. These are now carried at valuation in accordance with Financial Reporting Standard 15 as in the opinion of the directors this shows these fixed assets at their current value as at the balance sheet date

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss on a straight line basis over period of the lease



Notes (continued)

1 Accounting policies (continued)

Post-retirement benefits

Employees were entitled to become members of the UK company pension scheme which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. On 1 December 2001, the UK group took the decision to cease future service benefit accrual under the plan and, for the time being, the Trustees will continue to run it on a closed basis.

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 a high quality corporate bond 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.

The company also operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, a First In First Out (FIFO) method of valuation is used.

For work in progress and finished goods, cost is taken as a standard cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit 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, except as otherwise required by Financial Reporting Standard 19.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Notes (continued)

2 Turnover

Turnover and profit on ordinary activities before taxation are derived from the company's principal activity

No analysis of turnover by geographical market has been presented as the directors feel this would be prejudicial to the interests of the company

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/ (crediting)

	2009 £	2008 £
Amounts receivable by the auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	28,908	30 000
Other services relating to taxation	21,552	46 360
Amortisation	418,615	366 796
Depreciation and other amounts written off owned tangible fixed assets	966,057	927 675
Loss/(profit) on disposal of fixed assets	13,104	(5 482)
Exchange loss/(gain) on trading	182,063	(316 583)
Exchange (gain)/loss on retranslation of intercompany loan	(446,755)	1 548 115
Hire of plant and machinery – rentals payable under operating leases	28,971	22 320

4 Remuneration of directors

	2009 £	2008 £
Directors' emoluments	156,601	145 256
Pension contributions	14,784	14 281
	<u>171,385</u>	<u>159 537</u>

Number of directors

2009	2008
------	------

The following directors participate in pensions schemes operated by the company

	2009	2008
Defined benefit scheme	2	2
Defined contribution scheme	2	2

As disclosed in note 19 the defined benefit scheme is closed and future service benefit accrual ceased with effect from 1 December 2001

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year analysed by category, was as follows

	Number of employees	
	2009	2008
Production	78	80
Selling	12	13
Administration	14	13
	<u>104</u>	<u>106</u>

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	2,980,990	3 025,787
Social security costs	311,675	320,318
Other pension costs (see note 19)	64,482	194,458
	<u>3,357,147</u>	<u>3 540 563</u>

6 Interest receivable and similar income

	2009 £	2008 £
On other loans	-	926
Bank Interest	55	9 400
	<u>55</u>	<u>10,326</u>

7 Interest payable and similar charges

	2009 £	2008 £
On other loans	116,347	332 859
Other interest payable	16	1,013
	<u>116,363</u>	<u>333 872</u>

Notes (continued)

8 Other finance costs

	2009 £	2008 £
Expected return on the pension scheme assets	682,692	880,689
Interest on pension scheme liabilities	(890,600)	(956,893)
	<u>(207,908)</u>	<u>(76,204)</u>

9 Taxation

Analysis of charge in period

	2009 £	2009 £	2008 £	2008 £
<i>UK corporation tax</i>				
Current tax on income for the year	612,909		155,478	
Total current tax		612,909		155,478
<i>Deferred tax (see note 15)</i>				
FRS 17 deferred tax movement	40,234		45,940	
Reversal of timing differences	(80,102)		150,929	
Adjustment in respect of previous years	(40,505)		22,002	
Total deferred tax		(80,373)		218,871
Tax on profit on ordinary activities		<u>532,536</u>		<u>374,349</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2008 lower) than the standard rate of corporation tax in the UK (28%, 2008 28.5%). The differences are explained below

	2009 £	2008 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,039,815	770,036
Current tax at 28% (2008 28.5%)	<u>571,148</u>	<u>219,460</u>
<i>Effects of</i>		
Expenses not deductible for tax purposes (primarily goodwill amortisation and group interest)	34,459	89,627
Other timing differences	11,996	2,694
Capital allowances for period in excess of depreciation	(4,694)	(156,303)
Total current tax charge (see above)	<u>612,909</u>	<u>155,478</u>

Notes (continued)

10 Intangible fixed assets

	Goodwill	Other	Total
	£	Intangibles	£
		£	
<i>Cost</i>			
At beginning of year	1 838 081	1 022 786	2 860 867
Additions	-	259 090	259,090
	<hr/>	<hr/>	<hr/>
At end of year	1 838 081	1 281 876	3,119 957
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At beginning of year	(1 396 332)	(170 464)	(1,566 796)
Charged in year	(196 333)	(222 282)	(418 615)
	<hr/>	<hr/>	<hr/>
At end of year	(1 592 665)	(392 746)	(1,985 411)
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2009	245,416	889,130	1,134,546
	<hr/>	<hr/>	<hr/>
At 31 December 2008	441,749	852 322	1,294 071
	<hr/>	<hr/>	<hr/>

Goodwill is amortised over 10 years, being its estimated useful life

Notes (continued)

11 Tangible fixed assets

	Long leasehold land and buildings £	Plant, equipment and vehicles £	Total £
<i>Cost</i>			
At beginning of year	2 150 000	14 645 733	16 795 733
Additions	-	10 554	10 554
Disposals	-	(113 291)	(113 291)
At end of year	2 150 000	14 542,996	16 692 996
<i>Depreciation</i>			
At beginning of year	-	7 043 531	7 043 531
Charge for year	213,283	752,774	966 057
Disposals	-	(90,187)	(90 187)
At end of year	213 283	7 706 118	7,919,401
<i>Net book value</i>			
At 31 December 2009	1,936,717	6,836,878	8,773,595
At 31 December 2008	2 150 000	7 602 202	9 752,202

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with Financial Reporting Standard 15 'Tangible fixed assets'

Long leasehold land and buildings

	2009 £	2008 £
At open market value	2,150,000	2 150 000
Aggregate depreciation thereon	(213,283)	-
Net book value	1,936,717	2 150 000
Historical cost of revalued assets	575,528	575 528
Aggregate depreciation thereon	(510,155)	(502 892)
Historical cost net book value	65,373	72 636

Notes (continued)

11 Tangible fixed assets (continued)

The last full valuation was performed by Mr J Thornborrow, MRICS, IRRV, of Joe Thornborrow Limited on 12 December 2008. The open market value at that date was calculated to be £2,150,000 which has been made in accordance with the Appraisal and Valuation Manual published by the Royal Institute of Chartered Surveyors.

The existing use value of long leasehold land and buildings does not include notional directly attributable acquisition costs. The open market value of land and buildings is determined before the deduction of expected selling costs.

The directors are not aware of any material change in value and therefore the valuations set out above have not been updated.

12 Stocks

	2009 £	2008 £
Raw materials and consumables	201,532	321,313
Work in progress	545,790	391,834
Finished goods and goods for resale	50,805	167,378
	<u>798,127</u>	<u>880,525</u>

13 Debtors

	2009 £	2008 £
Trade debtors	-	359,559
Amounts owed by group undertakings (see note 22)	809,566	1,004,040
Other debtors	62,668	108,407
Prepayments and accrued income	128,117	501,939
	<u>1,000,351</u>	<u>1,973,945</u>

All debtors fall due within one year.

14 Creditors' amounts falling due within one year

	2009 £	2008 £
Trade creditors	297,655	757,982
Amounts owed to group undertakings (see note 22)	3,090,085	5,763,717
Taxation and social security	402,555	179,970
Other creditors	16,135	2,490
Accruals and deferred income	292,197	537,376
	<u>4,098,627</u>	<u>7,241,535</u>

Included in amounts due to group undertakings is a loan of £2,949,800 (2008: £5,602,241). This loan is unsecured. Both parties can terminate the loan by giving six weeks' written notice. The principal and accrued interest must then be repaid within ten weeks following the termination notice.

However, Heimbach GmbH has confirmed that they will not call on the loan for twelve months from the date of approval of these financial statements. Interest is due to be charged on the amounts outstanding during the year at 0.5% above EURIBOR at the date the loan was taken out.

Notes (continued)

15 Provision for liabilities

	Deferred taxation £
At beginning of year	1 342 369
Credit to the profit and loss account for the year (see note 9)	(120 607)
Other	(10,470)
	<hr/>
At end of year	1,211,292 <hr/>

The elements of deferred taxation are as follows

	2009 £	2008 £
Difference between accumulated depreciation and capital allowances	1,226,997	1 356,972
Other short term differences	(15,705)	(14,603)
	<hr/>	<hr/>
Deferred tax liability	1,211,292 <hr/>	1 342 369 <hr/>

Factors that may affect the future tax charges

No provision has been made for deferred tax on the gain recognised on revaluing the property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount not provided for is £440,852 (2008: £440,852). At present it is not envisaged that any tax will become payable in the foreseeable future.

16 Called up share capital

	2009 £	2008 £
<i>Authorised</i>		
4,500,000 ordinary shares of 25p each	1,125,000	1 125 000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
2,000,000 ordinary shares of 25p each	500,000	500,000
	<hr/>	<hr/>

Notes (continued)

17 Reserves

	Share premium account £	Revaluation Reserve £	Profit and loss Account £
At beginning of the year	20 000	2,077 364	1,475 057
Retained profit for the year	-	-	1,507 279
Transfer	-	(206 020)	206,020
Actuarial loss recognised in the pension scheme	-	-	(1 389,311)
Deferred tax arising on actuarial losses in the pension scheme	-	-	389 007
At end of year	20,000	1,871,344	2,188,051
		2009	2008
		£	£
Profit and loss reserve excluding pension liability		5,131,261	3,521,421
Net pension liability (see note 19)		(2,943,210)	(2 046 364)
Profit and loss reserve including pension liability		2,188,051	1,475,057

18 Commitments

- a) Capital commitments at the end of the financial year for which no provision has been made, are as follows

	2009 £	2008 £
Authorised and contracted	0	183,000
Authorised and not contracted	294,000	170,000

- b) Annual commitments under non-cancellable operating leases are as follows

	2009 Other £	2008 Other £
Operating leases which expire		
Within one year	-	-
In the second to fifth years inclusive	93,273	26 285
	93,273	26,285

- c) The company has a debenture of £402 000 for the trustees of the CH Johnson Pension Plan of which the company is the principal employer. The debenture comprises a fixed and floating charge over the undertaking and all property and assets present and future, including goodwill, book debts, buildings, fixtures, fittings, plant and machinery. During a funding valuation carried out in 2009 it was determined that the scheme had a funding shortfall of £4 146,000. In addition to an increase in the firm's contributions to the scheme the Company has agreed post year end to execute a new debenture of £3 500,000 to provide the Trustees with appropriate security for this shortfall. On execution of the new debenture the existing debenture will be discharged. See also notes 19 and 22.

Notes (continued)

19 Pension scheme

Defined contribution

The company operates a defined contribution pension scheme for the benefit of the directors and certain employees. The pension cost charge for the period represents contributions payable to the scheme and amounted to £80,496 (2008 £66,032). There were no outstanding or prepaid contributions at the year end (2008 £nil).

Defined benefit

The company also operates a pension scheme providing benefits based on final pensionable pay. With effect from 1 December 2001, the company took the decision to cease future service benefit accrual under the scheme and, for the time being, the Trustees continue to run the scheme on a closed basis. The assets of the scheme are held separately from those of the company and are invested in managed funds.

The pension scheme is currently showing a funding deficit as a result of the application of the government's minimum funding requirement, with a funding level on that basis as at 5 April 2008 of 75%. Due to this deficit, the company has put in place funding arrangements to restore solvency on the minimum funding requirement basis.

The most recent valuation was carried out as at 5 April 2008 by an independent qualified actuary using the aggregate funding method for the on-going valuation.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of price inflation. It was assumed that the future investment return would be 6.0% per annum and that price inflation would average 3.67% per annum. Assets were taken at market value. The actuarial valuation showed that the market value of the scheme's assets was £12.4 million at 5 April 2008 and that, on an ongoing basis, the actuarial value of those assets represented 74% of the benefits that had accrued to members (allowing for revaluation of deferred benefits).

As the scheme is closed, the normal contributions of the company and employees are £nil, however, following the results of the April 2005 valuation, the company created a debenture of £402,000 for the trustees of the scheme. In addition, special contributions were made by the company totalling £351,600 during the year to enable the scheme to meet the minimum funding requirement.

The latest actuarial valuation was carried out at 5 April 2008 and was updated for FRS17 purposes to 31 December 2009 and 2008 by a qualified independent actuary. The major assumptions used in this valuation were:

	2009 %	2008 %	2007 %
Rate of increase in salaries	-	-	-
Rate of increase in pensions in payment	3.25	2.62	3.25
Discount rate	5.75	6.50	6.92
Inflation assumption	3.50	2.68	3.45

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Mortality

Life expectancy is based on the AXC00 and PCXA00 YOB MC standard actuarial mortality tables and includes an allowance for future improvements in longevity. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.1 years	23.5 years
Future pensioners	22.3 years	24.6 years

Notes (continued)

19 Pension scheme (continued)

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were

	Long term rate of return %	Value at 31 December 2009 £000	Long term rate of return %	Value at 31 December 2008 £000	Long term rate of return %	Value at 31 December 2007 £000
Equities	7.45	8,171	7.25	6,959	8.05	8,538
Government stock	4.10	2,399	3.75	2,340	4.55	3,643
Corporate bonds	5.25	1,111	5.55	1,837	5.80	730
Other – cash	0.95	409	2.00	122	5.50	102
		<hr/>		<hr/>		<hr/>
Total market value of assets		12,090		11,258		13,013
Present value of scheme liabilities		(16,178)		(14,100)		(16,917)
		<hr/>		<hr/>		<hr/>
Deficit in the scheme – pension liability		(4,088)		(2,842)		(3,904)
Related deferred tax asset		1,145		796		1,094
		<hr/>		<hr/>		<hr/>
Net pension liability		(2,943)		(2,046)		(2,810)
		<hr/>		<hr/>		<hr/>

Movement in deficit during the year

	2009 £000	2008 £000
Deficit in scheme at beginning of year	(2,842)	(3,904)
Current service costs	-	(111)
Past service cost	-	(17)
Contributions paid	351	368
Other finance cost	(208)	(76)
Actuarial (loss)/gain	(1,389)	898
	<hr/>	<hr/>
Deficit in the scheme at the end of the year	(4,088)	(2,842)
	<hr/>	<hr/>

Notes (continued)

19 Pension scheme (continued)

Analysis of other pension costs charged in arriving at operating profit (within administrative expenses)

	2009 £000	2008 £000
Current service cost	-	111
Past service cost	-	17
	<u>-</u>	<u>128</u>

Analysis of amounts included in other finance costs

	2009 £000	2008 £000
Expected return on pension scheme assets	683	881
Interest on pension scheme liabilities	(891)	(957)
	<u>(208)</u>	<u>(76)</u>

Analysis of amount recognised in statement of total recognised gains and losses

	2009 £000	2008 £000
Actual return less expected return on scheme assets	608	(2 039)
Changes in assumptions underlying the present value of scheme liabilities	(2,008)	2 408
Experience gains and losses arising on scheme liabilities	11	529
	<u>(1,389)</u>	<u>898</u>

Cumulative actuarial gains/(losses) reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17 are £(4,088 000) (2008 £(2,842,000))

Reconciliation of defined benefit obligation

	2009 £000	2008 £000
Opening defined benefit obligation	14,100	16 917
Current service cost	-	111
Interest cost	890	957
Contributions by Members	-	-
Actuarial losses/(gains)	1,997	(2 937)
Past service costs/(gains)	-	17
Losses/(gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Liabilities assumed in a business combination	-	-
Exchange differences	-	-
Estimated unfunded benefits paid	-	-
Estimated benefits paid	(809)	(965)
Closing defined benefit obligation	16,178	14 100

Notes *(continued)*

19 Pension scheme

Reconciliations on fair value of employer assets

	2009	2008
	£000	£000
Opening fair value of employer assets	11,258	13 013
Expected return on assets	682	881
Contributions by Members	-	-
Contributions by the Employer	351	369
Contributions in respect of unfunded benefits	-	-
Actuarial gains/(losses)	608	(2,040)
Assets distributed on settlements	-	-
Assets acquired on a business combination	-	-
Exchange differences	-	-
Unfunded benefits paid	-	-
Benefits paid	(809)	(965)
Closing fair value of employer assets	12,090	11,258

Amounts for the current and previous accounting periods

Year ended 31 December	2009	2008	2007	2006	2005
	£000	£000	£000	£000	£000
Fair value of employer assets	12,090	11 258	13 013	12,793	12,726
Present value of defined benefit obligation	(16,178)	(14 100)	(16 917)	(16 488)	(17 555)
Surplus/(deficit)	(2,698)	(3,740)	(3,513)	(4,605)	(4 018)
Experience gains/(losses) on assets	608	(2 040)	20	320	1,185
Experience gains/(losses) on liabilities	11	529	318	103	(421)

Analysis of projected amount to be charged to operating profit for the year to 31 December 2010

	31 December 2010
	£000
Projected current service cost	-
Interest on obligation	909
Expected return on plan assets	(759)
Past service cost	-
Losses/(gains) on curtailments and settlements	-
Total	150

Employer's contributions for the year to 31 December 2010 will be approximately £351 600

Notes (continued)

20 Analysis of cash flows

	2009 £	2008 £
Returns on investment and servicing of finance		
Interest received	(55)	(10 326)
Interest paid	116,363	333 872
	<u>116,309</u>	<u>323,546</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	10,554	369 307
Sale of plant and machinery	(10,000)	(5 482)
Purchase of intangible assets	259,090	250 955
	<u>259,644</u>	<u>614,780</u>
Financing		
Repayment of intercompany loan	2,134,290	2 811 247
	<u>2,134,290</u>	<u>2,811,247</u>

21 Analysis of changes in net debt

	At beginning of year £	Cash flows £	Exchange movement £	At end of year £
Cash in hand and at bank	801,946	323 959	-	1,125,905
	<u>801,946</u>	<u>323,959</u>	<u>-</u>	<u>1,125,905</u>
Intercompany debt due within one year	(5 530,845)	2,134 290	446,755	(2,949,800)
	<u>(4,728,899)</u>	<u>2,458 249</u>	<u>446,755</u>	<u>(1,823,895)</u>

Notes (continued)

22 Related party disclosures

The company is controlled by Heimbach GmbH (see note 23)

The following information is provided in accordance with Financial Reporting Standard 8 as being all material transactions with related parties of Heimbach UK Limited including the parent and fellow subsidiary undertakings during the year. All transactions are conducted under normal commercial terms.

See also notes 18 and 19 for details of a debenture of £402,000 created for the trustees of the CH Johnson Pension Plan of which the company is the principal employer.

Transactions

	Sales and recharges to group undertakings £	Purchases and recharges from group undertakings £	Interest payable/ (receivable) £
2008			
Heimbach GmbH	12 500	-	332 859
Heimbach GmbH & Co KG	8 496,890	845 443	-
Heimbach Ireland Limited	22 132	567,827	-
Heimbach Switzerland AG	720 235	3 315	-
Heimbach Iberica SA	1,127 882	40,373	-
Heimbach Specialities AG	90 519	1 316	-
Marathon Belting Ltd	57 511	-	(926)
Heimbach Fabrics (Suzhou) Co Ltd	20 861	-	-
Heimbach Skandinavien AB	4 667	64	-
Heimbach Suomi Oy	-	91	-
2009			
Heimbach GmbH	-	-	116 348
Heimbach GmbH & Co KG	7 840 746	387 567	-
Heimbach Ireland Limited	21 565	212 437	-
Heimbach Switzerland AG	917 641	-	-
Heimbach Iberica SA	1,593 282	43,421	-
Heimbach Specialities AG	44 333	-	-
Marathon Belting Ltd	244 593	106	-
Heimbach Fabrics (Suzhou) Co Ltd	59 671	-	-
Heimbach Skandinavien AB	2 459	-	-
Heimbach Suomi Oy	-	1 957	-
Heimbach France Sarl	-	89 310	-
Balances	Amounts owed by group undertakings	Amounts owed to group undertakings	
	2009	2008	2009
	£	£	£
Heimbach GmbH (see also note 14)	-	12 500	2,965,156
Heimbach GmbH & Co KG	546,296	861,137	-
Heimbach Ireland Limited	-	1,384	34,988
Heimbach Switzerland AG	139,951	24,938	-
Heimbach Iberica SA	94,469	56,128	-
Heimbach Specialities AG	-	33 367	631
Heimbach Suomi Oy	-	-	-
Marathon Belting Ltd ⁽¹⁾	65,347	926	-
Heimbach Fabrics (Suzhou) Co Ltd	7,694	13 660	-
Heimbach France Sarl	-	-	89,310
	853,757	1,004 040	3,090,085
			5 763 716

⁽¹⁾ Includes corporation tax payment surrendered by Heimbach UK to Marathon Belting

Notes *(continued)*

23 Ultimate parent company and parent undertaking of a larger group of which the company is a member

The company is a wholly owned subsidiary undertaking of Heimbach GmbH incorporated in Germany

The largest and smallest group in which the results of the company are consolidated is that headed by Heimbach GmbH, a company incorporated in Germany. The consolidated accounts of this company are not available to the public. No other group accounts include the results of this company.